

## 2.1 Introduction

**2.1.1** Appropriation Accounts are the accounts of expenditure of the Government for each financial year, compared with the amounts of the grants voted and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act. These accounts depict distinctly the original budget estimates, supplementary grants, surrenders and re-appropriations and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act. Appropriation Accounts thus facilitate understanding of utilisation of funds and monitoring of budgetary provisions and are therefore, complementary to the Finance Accounts.

**2.1.2** Audit of Appropriation Accounts by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

**2.1.3** As per the Gujarat Budget Manual, it is the responsibility of the Finance Department to prepare the annual statement of estimated receipts and expenditure and the supplementary estimates of expenditure for presentation to the Legislature. For the purpose of such preparation, the Finance Department shall obtain from the administrative department concerned the material on which to base the estimates. The heads of the departments, on the basis of material furnished by their subordinate officers, prepare the estimates for which they are concerned and forward to the appropriate administrative department of the Secretariat on prescribed dates. The Finance Department consolidates the estimates approved by Government. The exercise requires utmost foresight both in estimating revenue and anticipating expenditure. The estimation should be as close and accurate as possible. The provision to be included in respect of each item should be based upon what is expected to be actually paid or spent under proper sanction during the year, including arrears of the previous year and should not merely be confined to the liabilities pertaining to the year.

## 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2015-16 against 108 grants/appropriations is as given in **Table 2.1**.

**Table 2.1: Summarised Position of Actual Expenditure vis-à-vis Original/Supplementary provisions**  
(₹ in crore)

Nature of expenditure		Original grant/ Appropriation	Supplementary grant/ Appropriation	Total	Actual Expenditure	Saving (-)/ Excess (+)	Amount of surrender	Amount surrendered on 31 <sup>st</sup> March	Per cent of savings surrendered by 31 <sup>st</sup> March
Voted	I Revenue	86,745.20	5,874.19	92,619.39	80,704.69	(-)11,914.70	9,879.22	25.40	99.74
	II Capital	29,257.38	410.00	29,667.38	24,379.66	(-)5,287.72	5,004.98	3.67	99.93
	III Loans and Advances	664.26	66.54	730.80	675.19	(-)55.61	46.16	0.00	100.00
<b>Total Voted</b>		<b>1,16,666.84</b>	<b>6,350.73</b>	<b>1,23,017.57</b>	<b>1,05,759.54</b>	<b>(-)17,258.03</b>	<b>14,930.36</b>	<b>29.07</b>	<b>99.81</b>
Charged	IV Revenue	16,485.12	336.87	16,821.99	16,442.79	(-)379.20	347.93	0.00	100.00
	V Capital	59.88	39.99	99.87	79.10	(-)20.77	4.32	0.00	100.00
	VI Public Debt- Repayment	5,927.50	0.00	5,927.50	6,194.26	(+)266.76	0.02	0.00	100.00
<b>Total Charged</b>		<b>22,472.50</b>	<b>376.86</b>	<b>22,849.36</b>	<b>22,716.15</b>	<b>(-)133.21</b>	<b>352.27</b>	<b>0.00</b>	<b>0.00</b>
<b>Grand Total</b>		<b>1,39,139.34</b>	<b>6,727.59</b>	<b>1,45,866.93</b>	<b>1,28,475.69</b>	<b>(-)17,391.24</b>	<b>15,282.63</b>	<b>29.07</b>	<b>99.81</b>

Source: Appropriation Accounts and Appropriation Act of the State Government

Overall savings of ₹ 17,391.24 crore were the result of savings of ₹ 17,690.33 crore in 92 grants and 21 appropriations under the Revenue Section and 52 grants and seven appropriations under the Capital Section offset by excess of ₹ 299.09 crore in one grant and two appropriations under the Revenue Section and one grant under the Capital Section.

It can be seen from the above table that against the original estimate of ₹ 1,39,139.34 crore, the actual expenditure incurred was of ₹ 1,28,475.69 crore.

## 2.3 Financial Accountability and Budget Management

### 2.3.1 Expenditure without Provision

Article 266 (3) of the Constitution of India prohibits withdrawal of money from the Consolidated Fund of the State unless relevant Appropriation Acts under Articles 204 and 205 of the Constitution of India are passed by the Legislature. As per Paragraph 125(5) of the Gujarat Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹ 1,608.24 crore was incurred during 2015-16 in 18 cases under nine grants without any provision in the original estimates/supplementary demand as detailed in **Appendix 2.1**.

### 2.3.1.1 Excess expenditure over provisions during 2015-16 requiring regularisation

**Table 2.2** contains the summary of total excess over provision of funds in respect of four grants/appropriations amounting to ₹ 299.09 crore during 2015-16 requiring regularisation under Article 205 of the Constitution.

**Table 2.2: Excess over provisions requiring regularisation during 2015-16**

(₹ in crore)					
Sl. No.	Number and Title of Grants		Total grant	Expenditure	Excess
1	20	Repayment of debt pertaining to Finance Department and its servicing – Capital Charged	5,927.49	6,194.25	266.76
2	26	Forest – Revenue Charged	0.49	1.20	0.71
3	39	Medical and Public Health - Revenue Charged	1.76	1.85	0.09
4	73	Other Expenditure pertaining to Panchayats, Rural Housing and Rural Development Department – Revenue Voted	784.60	816.13	31.53
<b>Total</b>			<b>6,714.34</b>	<b>7,013.43</b>	<b>299.09</b>

Source : Appropriation Accounts of the State Government

Reasons for excess incurred in the grants/appropriations were not intimated in any of the above cases by the Departments.

In response to para 2.3.1.1, the FD stated (December 2016) that on receipt of the Report of Public Accounts Committee for regularisation of excess expenditure for the year 2015-16, the State Government will initiate action for its regularisation.

### 2.3.1.2 Excess expenditure relating to previous years not regularised

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. However, excess expenditure amounting to ₹ 4,612.55 crore for the years 2007-08 to 2014-15 was yet to be regularised, as detailed in **Appendix 2.2**.

### 2.3.2 Persistent Excesses

On test check of grant files, Audit observed that there was excess expenditure over provision of more than ₹ 10 crore consistently for the last three years in respect of six schemes under four different grants (**Appendix 2.3**) indicating that budgetary estimates were not reviewed properly as the provisions being insufficient. Some cases of excess expenditure under various schemes/purposes are discussed below:

- Against a provision of ₹ 4,734.50 crore towards superannuation and retirement allowances to primary panchayat teachers during the period 2013-16, ₹ 6,358.73 crore were expended by the Education Department resulting in excess of ₹ 1,624.23 crore. No reasons were attributed for the persistent excess.

- A sum of ₹ 2,198.54 crore was spent during 2013-16 against a provision of ₹ 1,898.40 crore for Family pension. The excess of ₹ 300.14 crore was attributed mainly to fluctuating nature and receipt of more family pension cases than anticipated.

### 2.3.3 Rush of expenditure

According to paragraph 109 of the Gujarat Budget Manual, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 22 Major Heads listed in **Table 2.3** in which expenditure exceeded ₹ 100 crore and more than 50 *per cent* expenditure was incurred either during the last quarter or during the last month of the financial year.

**Table 2.3: Cases of Rush of Expenditure towards the end of the financial year 2015-16**  
(₹ in crore)

Sl. No.	Major Head	Total expenditure during the year	Expenditure during last quarter of 2016		Expenditure during March 2016	
			Amount	Percentage of Total Expenditure	Amount	Percentage of Total Expenditure
1	2048	500.00	500.00	100.00	500.00	100.00
2	2215	411.87	224.33	54.47	199.31	48.39
3	2216	1,458.01	839.42	57.57	532.80	36.54
4	2236	2,643.63	1,328.36	50.25	880.13	33.29
5	2401	2,058.09	1,233.17	59.92	651.52	31.66
6	2425	291.67	159.46	54.67	116.80	40.05
7	2505	557.91	322.77	57.85	253.50	45.44
8	2852	823.21	434.34	52.76	256.09	31.11
9	3054	3,675.23	2,154.03	58.61	1,416.33	38.54
10	3604	558.16	284.05	50.89	263.87	47.27
11	4055	267.61	180.86	67.58	147.80	55.23
12	4216	445.77	248.94	55.85	90.67	20.34
13	4217	293.83	220.15	74.93	202.77	69.01
14	4225	318.36	159.44	50.08	95.38	29.96
15	4250	291.78	170.60	58.47	133.09	45.61
16	4700	3,917.77	2,150.83	54.90	1,550.72	39.58
17	4702	815.03	417.99	51.29	307.44	37.72
18	4856	100.00	100.00	100.00	100.00	100.00
19	5054	2,155.46	1,084.31	50.31	621.07	28.81
20	5055	358.95	299.12	83.33	299.12	83.33
21	6217	105.00	105.00	100.00	105.00	100.00
22	6801	143.12	143.12	100.00	143.12	100.00
<b>Total</b>		<b>22,190.46</b>	<b>12,760.29</b>	<b>57.50</b>	<b>8,866.53</b>	<b>39.96</b>

Source: Information compiled by Accountant General (A&E), Gujarat, Rajkot

A test check of vouchers from monthly accounts of nine<sup>1</sup> Public Works Divisions and six offices<sup>2</sup> revealed that ₹ 176.09 crore were booked under 10 Major Heads<sup>3</sup> in respect of advance payments of ₹ two crore and above made through Form 28 hand receipts during the month of March 2016 for Deposit Works. The details are in **Appendix 2.4**. The payments through hand receipts were made for testing and commissioning, construction of bridges, maintenance & repair, purchase of various equipment, IFMS project, GIS project etc. This shows that the offices were incurring huge expenditure through hand receipts at the end of the financial year.

### **2.3.4 Appropriation vis-à-vis Allocative Priorities**

Audit of the Appropriation Accounts revealed that in 54 cases, savings exceeded ₹ 100 crore in each case or by more than 50 per cent of the total provision (**Appendix 2.5**). Summarised position of savings is indicated in **Table 2.4**.

**Table 2.4: Summarised position of Savings**

Sl. No.	Range of Saving	Number of Cases	Total Grant (₹ in crore)	Saving (₹ in crore)	Percentage
1	Up to ₹ 10 crore	16	18.97	12.80	67.47
2	More than ₹ 10 crore and up to ₹ 25 crore	2	29.84	24.81	83.14
3	More than ₹ 25 crore and up to ₹ 100 crore	1	105.00	80.00	76.19
4	Above ₹ 100 crore	35	1,18,428.96	16,176.25	13.66
<b>Total</b>		<b>54</b>	<b>1,18,582.77</b>	<b>16,293.86</b>	<b>13.74</b>

Source: Appropriation Accounts of the State Government

The departments that had major savings were Agriculture and Co-operation Department, Education Department, Energy and Petrochemicals Department, Finance Department, Health and Family Welfare Department and Narmada, Water resources, Water supply and Kalpsar Department. Reasons furnished by the departments for the major savings, as reported in the Appropriation Accounts are given below:

#### ***Agriculture and Co-operation Department***

- Grant No. 2 (Agriculture) - Saving of ₹ 234.08 crore under major head '2401-AGR-43 Rashtriya krushi vikas yojana (100 per cent CSS) (Plan)' was due to non-release of funds by the Government of India.

<sup>1</sup> Watrak Project Canal Division; Drainage Division, Gandhinagar; Rajkot Irrigation Project Division; R&B Division, Valsad; Tapi (R&B) Division, Vyara; City R&B Division, Vadodara; Capital Project Division No.1, Gandhinagar; R&B Division No. 2, Surat; Project Construction Division 4, Rajkot;

<sup>2</sup> Director General & Chief Police Officer; Additional Director General of Police, Intelligence; Finance Department; Director of Employment & Training; Commissioner of Geology & Mining; Home Department

<sup>3</sup> 2029; 2052; 2055; 2702; 2853; 4059; 4250; 4701; 5054; 8443

- Grant No. 2 (Agriculture) - Saving of ₹ 238.93 crore under major head '2401- National Mission For Sustainable Agriculture (Partially CSS) (Plan)' was due to less release of funds by the Government of India.
- Grant no 5 (Co-operation) - Saving of ₹ 195.16 crore under major head '2425-COP-34 Financial assistance to farmer for subvention of interest (Plan)' was due to receipt of fewer proposals by the Gujarat State Co-Operative Bank Limited.

#### ***Education Department***

- Grant No. 9 (Education) – Saving of ₹ 227.93 crore under major head '4202 EDN-113 Sarva Shiksha Abhiyan (65-35 Centrally Sponsored Schemes) (Plan)' was due to non release of the grants by the Government of India under this scheme owing to change of funding pattern between Central and State from 100 *per cent* CSS to 65:35.

#### ***Energy and Petrochemical Department***

- Grant No. 13 (Energy Projects) - Reasons for saving of entire budget provision of ₹ 2,906.75 crore under major head '2801 under two schemes viz. (i) Subsidy to Gujarat Urja Vikas Nigam Ltd. for Compensation in GERC Agricultural Tariff and (ii) Subsidy in Fuel Price and Power Purchase Adjustment Charges' have not been intimated.

#### ***Finance Department***

- Grant No. 19 (Other Expenditure pertaining to Finance Department)- Savings of entire budget provision of ₹ 3,500 crore under major head '2075 -Liability on Account of increase in the rate of Dearness Allowance (DA)' was due to the decision of the Government to make provision for payment of dearness allowance for the respective departments under their various subheads.

Audit observed that large savings were mainly due to provision made by Finance Department for payment of DA in respect of other Departments. As per the paragraph 38 of the Gujarat Budget Manual, such provisions are required to be made by the respective Departments in their budget estimates.

The FD has stated (December 2016) that once the DA rates are actually notified and applied, the necessary payments are made from the relevant heads of account and final adjustment is made against this lump sum provision. The very nature of this exercise makes certain deviations from the budgetary estimates inevitable.

The reply is not acceptable as the provision in FD for DA in respect of other departments results in blockage of funds. The provision for DA is required to be made in the budget of respective departments only.

### ***Health and Family Welfare Department***

- Grant No. 39 (Medical and Public Health) – Under the major head ‘4210-Capital outlay on medical and public health’, savings of ₹ 49.69 crore out of ‘provision for various equipment and vehicles for hospitals’, savings of ₹ 93.00 crore out of ‘provision made for hospitals and dispensaries finance commission NABH/NABL’ and savings of ₹ 113.38 crore out of ‘provision made for Buildings’ were noticed due to cut imposed by finance department in revised estimates.

The persistent savings out of budgetary provisions were observed despite substantial requirement of funds in the healthcare infrastructure and manpower in Gujarat.

### ***Narmada, Water Resources, Water Supply and Kalpsar Department***

- Grant No. 65 (Narmada Development scheme) - Saving of ₹ 563.11 crore under major head ‘4700 IRG-1 Share Capital Contribution to Sardar Sarovar Narmada Nigam Limited (Plan)’ was due to the cut imposed by Finance Department.

### ***2.3.5 Excess of provisions leading to persistent savings***

In 11 cases during the last five years, there were persistent savings of more than ₹ 50 crore in each case. The details are given in **Table 2.5** below:

**Table 2.5: List of grants indicating persistent savings during 2011-12 to 2015-16**

(₹ in crore)

Sl. No.	No. and name of the grant	Amount of savings				
		2011-12	2012-13	2013-14	2014-15	2015-16
<b>Revenue- Voted</b>						
1	19 – Other Expenditure pertaining to Finance Department	2,224.81	3,535.42	4,027.49	4,222.63	3,514.15
2	39 – Medical and Public Health	81.34	94.53	198.97	350.02	156.08
3	43 – Police	72.72	263.90	286.51	143.58	216.22
4	60 – Administration of Justice	160.50	175.16	315.72	136.68	295.66
5	71 – Rural Housing and Rural Development	116.08	191.81	460.29	1,102.04	255.68
6	78 – District Administration	95.58	67.53	162.60	90.93	76.27
7	79 – Relief on account of Natural Calamities	351.90	361.27	160.80	546.52	195.81
8	95 – Scheduled Castes Sub-Plan	50.72	143.72	286.06	481.91	367.76
9	96 – Tribal Area Sub-Plan	60.14	311.25	617.92	1,346.99	767.40
<b>Capital- Voted</b>						
1	84 – Non-Residential Buildings	501.70	294.39	677.53	706.08	544.60
2	95 – Special Component Plan for Scheduled Castes	266.60	153.07	108.36	232.46	264.95

Source: Appropriation Accounts of the State Government

Persistent savings during the last five years indicate a need to review the formulation of budget estimates and provisions in these grants. On test check

of grant files, Audit further observed that there were savings of more than ₹ 25 crore consistently for the last three years in respect of 31 schemes under 18 grants (**Appendix 2.6**) indicating that either the provisions were excessive or the executive was not successful in implementing the legislative aspirations. Some cases of the savings under different schemes/purposes are briefly discussed below:

- Under the provision for ‘Rashtriya krushi vikas yojana’ under Agriculture and Co-operation Department, against provision of ₹ 1,589.55 crore in the years 2013-14 to 2015-16, only ₹ 944.07 crore could be spent. The Department attributed the reasons for savings to non-release/ less release of funds by GoI.
- Under the provision for ‘Loans to be raised’ under Finance Department, against a provision of ₹ 12,752.68 crore in the years 2013-14 to 2015-16, only ₹ 11,185.10 crore could be spent. The Department attributed the reasons for savings to the unpredictable nature of rate of interest on market loans during 2015-16, re-appropriation of composite provision to newly opened subheads for new loans in accordance with the requirement during 2014-15 and did not attribute any reasons for savings during 2013-14.
- Under the provision for ‘Expenditure for Project work of GICCL’ under Industries and Mines Department, against provision of ₹ 866.44 crore in the years 2013-14 to 2015-16, no expenditure was incurred. The Department attributed the reasons for savings to non-finalization of the project.

### ***2.3.6 Supplementary provision***

A supplementary provision is an addition to the total original authorised provision and is obtained in the same manner in which the original provision is obtained.

#### ***Unnecessary supplementary provision***

Supplementary provisions (₹ five crore or more in each case) aggregating to ₹ 1,976.49 crore were made and obtained in 10 cases during the year on the basis of eight months actual expenditure, which proved unnecessary. The expenditure incurred did not come up even to the levels of the original provision as detailed in **Appendix 2.7**. Some cases are briefly discussed below:

- Under Energy and Petro-chemicals Department, supplementary provision of ₹ 1,174.94 crore under Grant No-13–Energy Projects (Revenue Voted) was made. However, at the end of the year, the expenditure fell short of the original provision of ₹ 4,747.62 crore by ₹ 308.79 crore.
- Under Social Justice and Empowerment Department, supplementary provision of ₹ 127.14 crore under Grant No-96 – Tribal Area Sub Plan (Revenue Voted) was made. However, at the end of the year, there were savings of ₹ 640.26 crore from the original provision of ₹ 5,950.65 crore.

It can be observed from the above cases that the estimation of requirement of funds by the Departments needs to be strengthened and the basis for supplementary provisions needs to be reviewed.

### ***2.3.7 Insufficient/unnecessary re-appropriation of funds***

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Re-appropriation of funds proved injudicious in many cases in view of final excesses and savings over the grants. Instances of re-appropriation in each case proving excessive or insufficient by more than ₹ five crore are detailed in **Appendix 2.8**.

### ***2.3.8 Surrender of unspent provisions***

As per Paragraph 103 of the Gujarat Budget Manual, spending Departments are required to surrender grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. Sums surrendered by Administrative Departments after 15<sup>th</sup> of March are not to be accepted except in the case of Supplementary grants obtained after 15<sup>th</sup> March.

#### ***2.3.8.1 Substantial surrenders***

Substantial surrenders (more than 50 *per cent* of the total provision or more than ₹ one crore) were made in respect of 899 sub-heads under 95 grants, mainly on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹ 53,041.05 crore in these sub-heads, ₹ 15,114.51 crore (28.50 *per cent*) were surrendered, which included cent *per cent* surrender in 254 cases (₹ 5,107.86 crore). The details of top 15 cases, having cent *per cent* surrenders, are given in **Appendix 2.9**.

#### ***2.3.8.2 Surrender in excess of actual savings***

In 27 cases, the amounts surrendered (₹ two crore or more in each case) were in excess of the actual savings, indicating inadequate budgetary control in these Departments. As against savings of ₹ 2,288.79 crore, the amount surrendered was ₹ 2,574.47 crore resulting in excess surrender of ₹ 285.68 crore. Details are given in **Appendix 2.10**. Some cases are briefly discussed below:

- In Grant No. 22 (Revenue-Voted), ₹ 50.75 crore were surrendered. However, savings of ₹ 1.48 crore only were effected resulting in excess surrender of ₹ 49.27 crore.
- In Grant No 40 (Revenue-Voted), ₹ 60.72 crore were surrendered. However, savings of ₹ 7.04 crore only were effected resulting in excess surrender of ₹ 53.68 crore.

- In Grant No 66 (Revenue-Voted), ₹ 178.29 crore were surrendered. However, savings of ₹ 159.92 crore only were effected resulting in excess surrender of ₹ 18.37 crore.
- In Grant No 96 (Capital-Voted), ₹ 634.69 crore were surrendered. However, savings of ₹ 501.00 crore only were effected resulting in excess surrender of ₹ 133.69 crore.

### **2.3.8.3 Savings not surrendered/partly surrendered**

At the close of the year 2015-16, there were six grants/appropriations under which savings exceeded 10 *per cent* of the total provision but the same had not been surrendered by the concerned Departments. The total amount involved in these cases was ₹ 19.07 crore as shown in **Table 2.6**.

**Table 2.6: Grants/Appropriations in which savings occurred but were not surrendered (More than 10 *per cent* of total provision)**

(₹ in crore)					
Sl. No.	Grant No.	Name of Grant/Appropriation	Total provision	Saving	Percentage
1	4	Animal Husbandry and Dairy Development- Revenue Charged	1.02	0.35	34.31
2	36	State legislature- Revenue Charged	0.32	0.04	12.50
3	37	Loans and Advances to Government Servants in Gujarat Legislature Secretariat –Capital Voted	0.34	0.16	47.06
4	38	Health and Family Welfare Department- Revenue Voted	10.33	2.34	22.66
5	66	Irrigation and Soil Conservation- Capital Charged	85.00	15.86	18.65
6	84	Non Residential Buildings- Revenue Charged	2.09	0.32	15.18
<b>TOTAL</b>			<b>99.10</b>	<b>19.07</b>	<b>19.24</b>

Source: Appropriation Accounts of the State Government

In 25 grants/appropriations there were savings of more than ₹ five crore of which more than 10 *per cent* of the savings were not surrendered. In these grants/appropriations total savings of ₹ 4,378.11 crore were noticed, however, only ₹ 1,555.10 crore were surrendered leaving ₹ 2,823.01 crore un-surrendered as shown in **Appendix 2.11**.

## **2.4 Review of Budget Control Mechanism**

The Gujarat Budget Manual (the manual) provides that the authority administering a grant is responsible for watching the progress of expenditure under its control and for keeping it within the sanctioned grant or appropriation. The duties and responsibilities of the authorities include preparing the estimates timely and accurately and also to ensure that the grant placed at their disposal is spent only on the objects for which it has been provided and to surrender savings if no longer required.

With a view to ascertain how far the authorities were adhering to these instructions, Audit test checked records of the administrative department/

controlling officers relating to Grant No. 26 (Forest) and Grant No. 46 (Other expenditure pertaining to Home department). The observations thereof are as follows:

#### **2.4.1 Review of Grant-26 Forest**

According to Article 246 of the Constitution of India read with VII<sup>th</sup> Schedule referred to therein, the subject “Forests” is included in List III- Concurrent List. The Forest Department is headed by Principal Chief Conservator of Forests and head of Forest Force. The major functions of the Forest Department are the protection, conservation and development of forests. Grant 26 of the Department relates to these functions.

The data for the Grant 26 under Revenue/Capital and Voted/Charged heads during the year 2013-16 is shown in **Table 2.7**.

**Table 2.7: Budget and Expenditure**

Year	Voted/ Charged	Budget Provision			Expenditure	Excess (+) Savings (-) (per cent)
		Original	Supplementary	Total		
(₹ in crore)						
<b>Revenue</b>						
2013-14	Voted	331.56	0.00	331.56	308.58	-22.98(-6.93)
2014-15	Voted	345.56	0.00	345.56	321.63	-23.93(-6.92)
2015-16	Voted	393.77	0.00	393.77	334.28	-59.49(-15.11)
2013-14	Charged	0.16	0.08	0.24	0.49	+0.25(104.17)
2014-15	Charged	0.17	122.23	122.40	122.01	-0.39(-0.32)
2015-16	Charged	0.19	0.30	0.49	1.20	+0.71(144.90)
<b>Capital</b>						
2013-14	Voted	297.55	4.33	301.88	403.06	+101.18 (33.52)
2014-15	Voted	340.29	0.00	340.29	425.12	+84.83 (24.93)
2015-16	Voted	387.75	0.00	387.75	365.24	-22.51 (-5.81)

Source: Appropriation Accounts of the State Government

The savings under Revenue Voted has increased from approximately seven *per cent* in 2013-14 and 2014-15 to approximately 15 *per cent* in 2015-16.

On this being pointed out, the department attributed the same to non utilisation of budget due to vacant posts, deduction in budget provision by Finance Department, less sanction from GoI in respect of CSS etc.

In case of Capital (voted) the excess expenditure of 33.52 *per cent* during 2013-14 decreased to 24.93 *per cent* during 2014-15 and turned into savings of 5.81 *per cent* during 2015-16.

In this regard, the department stated that the excess expenditure during 2013-14 and 2014-15 was due to good progress of work. Savings during

2015-16 were due to posts remaining vacant and less sanction from GoI in respect of CSS.

### ***Rush of Expenditure***

According to paragraph 109 of the Gujarat Budget Manual, rush of expenditure in the closing month of the financial year should be avoided.

However, it was noticed that this was not followed by the department. The cases where the total expenditure during the year was more than ₹ one crore and percentage of expenditure was more than 50 per cent during the last quarter of 2015-16 are as detailed in **Table 2.8**.

**Table 2.8: Rush of Expenditure in year 2015-16**

(₹ in crore)

Head of Account		Total Expenditure during the year	Expenditure during last quarter		Expenditure during March	
			Amount	Per cent	Amount	Per cent
2406 : 02 : 110 : 23	Gujarat Biodiversity Board	5.00	2.75	55.00	2.17	43.40
2406 : 02 : 110 : 22	FST-16 Integrated Development of Wildlife Habitats	6.73	5.07	75.33	3.85	57.21
2406 : 02 : 800 : 01	FST-26 Grant-in-Aid to Gujarat Ecological Education and Research Foundation	8.20	4.52	55.12	2.13	25.98
4406 : 01 : 070 : 01	FST-3 Communications (Roads and Buildings)	12.09	9.31	77.01	6.66	55.09
4406 : 01 : 101 : 16	FST-28- Compensatory Afforestation against Regularisation of Unauthorised cultivation	10.08	7.95	78.87	7.37	73.12
4406 : 01 : 101 : 18	FST-42 Integrated Forest Protection Scheme	3.26	2.43	74.54	1.65	50.61
4406 : 01 : 101 : 24	FST-44 Grass Development Project	42.98	27.73	64.52	15.45	35.95
4406 : 02 : 110 : 06	Asiatic Lion Landscape Management	3.99	2.25	56.39	1.48	37.09
4406 : 02 : 110 : 08	Management of Great Indian Bustard Landscape in Gujarat	1.00	1.00	100.00	0.27	27.00
4406 : 01 : 101 : 32	Bamboo Mission	7.04	3.97	56.39	3.47	49.29

Source: Appropriation Accounts of the State Government and information furnished by Environment and Forest department

Rush of expenditure in the last quarter of the financial year is not a prudent fiscal management practice and is against the provision of Manual for control of expenditure.

### **Blocking of funds**

As per Paragraph 103 of the Gujarat Budget Manual, spending departments are required to surrender grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated.

Gujarat Ecological Education and Research (GEER) Foundation is the institution meant for Environmental Education and Research across Gujarat.

Administrative approval was given for ₹ 1.65 crore Grant-in-Aid to GEER Foundation for existing budget items and new budget items to be implemented by GEER Foundation. It was noticed that ₹ 0.45 crore were surrendered to Government on 15 March 2016 as technical or scientific expert posts could not be filled due to non finalisation of recruitment rules. The remaining ₹ 1.20 crore were meant for construction of cages, enclosures for animals, store rooms, installation of CCTV cameras etc. for which tender process was not initiated (July 2016).

***Parking of Funds***

To avoid lapse of grants at the end of the financial year, the Forest and Environment Department parked funds through Gujarat State Lions Conservation Society (GSLCS) and Gujarat Research Forestry Foundation (GRFF) in Gujarat State Financial Services (GSFS) during the year 2008-09 to 2015-16. Funds for the duration of 2008-09 to 2015-16 amounting ₹ 13.64 crore remained parked till date (March 2016) as mentioned in **Table 2.9**.

**Table 2.9: Statement showing details of Parking of funds**

(₹ in crore)

Sl. No.	Grant Year	Scheme name	Parked Amount	Amount still parked as on date (March 2016)	Remarks
1	2008-09	Management and Development of National Park and Sanctuary-Modern Technology for conservation of Asiatic Lion	4.40	3.90	Amount still parked with GSFS but interest earned on the amount credited to Government account.
2	2013-14	Training Orientation and Publicity	0.37	0.29	Balance and interest thereon is still with GSFS.
3	2009-10	Integrated Forest Protection 12th Finance Commission (Purchase of Boat)	0.57	0.10	Balance and interest thereon is still with GSFS. The boat was purchased in 2012-13 for ₹ 0.47 crore and balance not yet refunded to Government
4	2010-11	13th Finance commission Working Plan	0.51	0.05	Balance still with GSFS
5	2012-13	Long term conservation of Asiatic Lion under 13th Finance Commission	4.84	4.84	Balance still with GSFS

Sl. No.	Grant Year	Scheme name	Parked Amount	Amount still parked as on date (March 2016)	Remarks
6	2013-14	Long term conservation of Asiatic Lion under 13th Finance Commission	1.25	1.25	Balance still with GSFS. Entire amount for GPS based tracking, automated censor grid shown as expended in UC submitted to GoI but no purchase has been done.
7	2015-16	Management and Development of National Park and Sanctuary-Fencing work at Surendranagar-Pipavav Railway line	2.87	2.87	Balance still with GSFS
8	2015-16	Grass Development (Banni Project)	0.19	0.19	Balance still with GSFS
9	2015-16	Management and Development of National Park and Sanctuary (Building construction)	0.15	0.15	Balance still with GSFS
<b>Total</b>			<b>15.15</b>	<b>13.64</b>	

Source: Appropriation Accounts of the State Government and information furnished by Environment and Forest depart

In case of Sl. No. 3, 4, 5 & 6, the schemes were 100 *per cent* funded by GoI. By parking the unutilised funds, the department reported incorrect expenditure figures to the Grant releasing authority.

On this being pointed out it was replied that in case of funds received under different schemes for conservation of Asiatic lions, detailed plan has been submitted by GSLCS. In respect of Sl. No. 7, 8, and 9 it was stated that interest would be deposited in government account.

***Non surrender of Grants at the end of the year resulting in accumulation of unutilised funds***

- While releasing the funds to Gujarat Bio-diversity Board, Gandhinagar there is a condition in administrative approval of the scheme that the expenditure was to be made on the items for which grants were sanctioned and savings at the end of the financial year were to be surrendered.

The details of funds released, interest earned and expenditure incurred during 2013-16 is shown in **Table 2.10**.

**Table 2.10: Funds released, interest earned and expenditure incurred**

(₹ in crore)

Year	Opening balance	Funds released by State Govt.	Interest Earned	Other income	Total Available funds	Expenditure	Closing balance
2013-14	1.92	2.91	0.08	0.00	4.91	3.50	1.41
2014-15	1.41	3.23	0.09	0.00	4.73	2.74	1.99
2015-16	1.99	5.00	0.09	0.07	7.15	4.95	2.20

Source: Information furnished by Environment and Forest department

On this being pointed out it was replied that the Board could not utilise the Grant-in-aid due to administrative problems and payments of the previous year works are made in the next year from the accumulations.

- Similarly, in case of GEER Foundation the administrative approval had the same condition of depositing the savings to the government account, however, the procedure was not followed and the Foundation is having balance of ₹ 3.68 crore at the end of 2015-16 and ₹ 5.14 crore is parked with GSFS. The funds position of GEER Foundation during the period 2013-16 is shown in **Table 2.11**.

**Table 2.11: Funds position of GEER Foundation**

(₹ in crore)

Year	Opening balance	Funds released by State Govt.	Expenditure	Closing balance
2013-14	1.06	3.97	3.77	1.26
2014-15	1.26	4.40	4.40	1.26
2015-16	1.26	8.20	5.78	3.68

Source: Information furnished by Environment and Forest department

On this being pointed out the department stated that the funds were released at the end of the year and would be utilised in the next year. Also the shortage of staff hampered completion of targeted work.

Thus, in spite of huge balance of the unutilised grants with Foundation, the Government is releasing Grants continuously without ensuring the progress of intended work.

#### ***2.4.2 Review of Grant-46 other expenditure pertaining to Home department***

Home is an important department of the secretariat of Gujarat. The main functions of the Home Department include maintenance of law and order, Maintenance of internal security, Crime investigation and Prosecution, Internal security of the State etc.

The Department is headed by an Additional Chief Secretary.

#### ***Budget Trends***

The Details of the Budget and Expenditure of Grant 46 for year 2013-14 to 2015-16 were as shown in **Table 2.12**.

Table 2.12: Budget and Expenditure of Grant 46

(₹ in crore)

Year	Voted/ Charged	Budget Provision			Expenditure	Excess (+) Savings (-) (percentage)
		Original	Supplementary	Total		
<b>Revenue</b>						
2013-14	Voted	64.01	113.62	177.63	172.57	-5.06(-2.85)
2014-15	Voted	167.11	22.75	189.86	186.96	-2.90(-1.53)
2015-16	Voted	171.76	44.08	215.84	211.07	-4.77(-2.21)
2013-14	Charged	0.50	0.01	0.51	0.44	-0.07(-13.73)
2014-15	Charged	0.60	0.00	0.60	0.34	-0.26(-43.33)
2015-16	Charged	0.60	9.82	10.42	10.31	-0.11(-1.06)
<b>Capital</b>						
2013-14	Voted	505.51	2.06	507.57	434.44	-73.13(-14.41)
2014-15	Voted	684.82	0.00	684.82	564.35	-120.47(-17.59)
2015-16	Voted	591.55	2.09	593.64	479.96	-113.68(-19.15)
2013-14	Charged	--	--	--	--	--
2014-15	Charged	--	--	--	--	--
2015-16	Charged	0.00	4.25	4.25	4.25	0.00

Source: Appropriation Accounts of the State Government

In case of Capital Voted, the percentage of savings continuously increased from 14.41 per cent in 2013-14 to 19.15 per cent in 2015-16.

### **Substantial surrenders**

In case of Scheme for construction of Police Buildings, it was observed that the entire provision of ₹ 66 crore was surrendered. Similarly, in case of Construction of FSL Buildings entire provision of ₹ one crore was surrendered. The department replied that the Central Government had not sanctioned the projects and hence the provisions made were surrendered. The reasons for non-sanction of projects by GoI were not furnished.

### **Rush of expenditure**

According to paragraph 109 of the Gujarat Budget Manual, rush of expenditure in the closing month of the financial year should be avoided.

However, it was noticed that in the following cases where the expenditure during the year was more than ₹ one crore and percentage of expenditure was more than 50 per cent during the last quarter of 2015-16 there was rush of expenditure as detailed in **Table 2.13**.

Table: 2.13 Rush of expenditure during last quarter

(₹ in crore)

Head wise details	Expenditure during 2015-16	Expenditure during last quarter	Percentage of Expenditure	Exp. during March	Percentage of Expenditure
4055:00:800:06 : MEP-36 Up Gradation of Communication System in State Police	75.00	75.00	100.00	75.00	100.00
4055:00:800:05 : Information Technology	29.86	27.78	93.02	27.27	91.33
2235:02:105:01 : SCW-30 Prohibition activities and intensive Prohibition Drive in the State.	2.93	2.50	85.32	2.30	78.50
4216:01:700:08 : HSG-26 Jails-Buildings	22.70	12.30	54.19	0.00	0.00
4216:01:700:09 : Construction of new residential buildings for Police	150.00	88.00	58.67	8.00	5.33
4216:01:700:11 : Up- gradation and strengthening of Jail buildings	4.35	2.20	50.57	0.98	22.53

Source: Appropriation Accounts of the State Government and information furnished by Home department

Rush of expenditure in the last quarter of the financial year is not a prudent fiscal management practice and is against the manual provision for control of expenditure.

### ***Parking of funds***

Gujarat Budget Manual warrants that the grant placed at the disposal is expended only on the objects for which it has been provided keeping in view the rule of financial propriety.

Scrutiny of records revealed that there was a demand in Budget estimate of ₹ 75 crore for the purpose of Up-gradation of Communication System (New Item). As per the order of Home Department (March 2016), the Gujarat State Police Housing Corporation Ltd. was directed to park the said grant with the GSFS.

When reasons for parking of the funds were called for it was replied that the tenders were invited by the Gujarat Informatics Limited for operationalisation of Digital Trunking Radio System (DTRS) project for the modernisation of communication system. However, due to technical reasons the tenders were cancelled. As it was not possible to utilize the said amount in the year 2015-16, it was decided to park the funds with GSFS through Gujarat Police Housing Corporation Limited.

The reply is not convincing as there is no progress of work and the amount is still parked with the GSFS (June 2016).

### Non fulfilment of Budget Commitment

During the budget speech for the year 2015-16, total provision of ₹ 4,305.91 crore was made for Home Department. Some schemes under grant 46 remained unfulfilled at the end of the year despite being mentioned in budget speech are as detailed in **Table 2.14**.

**Table: 2.14: Non fulfilment of Budget Commitment**

(₹ in crore)						
Budget Commitment	Fund to be provided	Head	Budget (2015-16)	Re-appropriation /Surrender	Final Grant	Expenditure
Police force and FSL Modernization (Partially CSS)	140.00	4055:00:211:10: MPF scheme for construction of Police building	66.00	66.00	0.00	0.00
		4055:00:211:05: Construction of FSL building	1.00	1.00	0.00	0.00
Communication system in Police Commissionerates	85.00	4055:00:800:06: MEP-36 Up-gradation of communication system	75.00	0.00	75.00	75.00

Source: Appropriation Accounts of the State Government and information furnished by Home department

On this being pointed out it was replied that the sanction order for construction of buildings was not received. Hence the amounts were re-appropriated.

The reply is not acceptable as to avoid lapse of fund the entire provision of ₹ 75 crore was parked by GPHC Ltd in GSFS. The reason for non issuance of sanction order by the Government for construction of buildings was not furnished.

## 2.5 Advances from Contingency Fund

The Contingency Fund of the State had been constituted under the Gujarat Contingency Fund Act, 1960 in terms of the provisions of Articles 267(2) and 283(2) of the Constitution of India. The fund is in the nature of an imprest and its corpus is ₹ 200 crore. During the year 2015-16, an amount of ₹ 39.15 crore was spent out of contingency fund for meeting unforeseen expenditure. Out of this an advance of ₹ 3.75 crore under Grant No. 5 in Agriculture and Co-operation Department (Major Head-4425) was not recouped during the year.

## 2.6 Misclassification treating 'Grants-in-aid' and 'Subsidies' as Capital Expenditure

Indian Government Accounting Standard (IGAS)-2 regarding Accounting and Classification of Grants-in-aid prescribes that the Grants-in-aid disbursed by a grantor shall be classified and accounted for as revenue expenditure in the Financial Statements of the grantor irrespective of the purpose for which the funds were disbursed. Only in cases specifically authorised by the President of India on the advice of the Comptroller and Auditor General of India, can these

be debited to a capital head of account in the Financial Statements of the Government. Further, Rule 30(1) of Government Accounting Rule, 1990 states that the expenditure of a capital nature to be classified in the Capital Section shall broadly be defined as expenditure incurred with the object of either increasing concrete assets of a material and permanent character. Also the assumptions underlying the Fiscal Indicators for the Gujarat Fiscal Responsibility Rules, 2006 stipulate inclusion of “Major Subsidies” as expenditure on revenue account.

During the year 2015-16, amounts of ₹ 492.17 crore and ₹ 5.25 crore were disbursed as Grants-in-aid and subsidy respectively under the following capital major heads of expenditure against approved budgetary provision in violation of IGAS-2 as detailed in **Table 2.15**.

**Table 2.15: Misclassification of grants-in-aid and subsidy under capital Major Heads**

(₹ in crore)

Sl. No.	Classification-Major Head	Grants-in-aid	Subsidy
1	4059- Capital Outlay on Public Works	19.90	-
2	4202- Capital Outlay on Education, Sports, Art and Culture	298.52	-
3	4210- Capital Outlay on Medical and Public Health	15.00	-
4	4401- Capital Outlay on Crop Husbandry	25.00	-
5	4402- Capital Outlay on Soil and Water Conservation	109.90	-
6	4408- Capital Outlay on Food Storage and Warehousing	22.60	-
7	4435- Capital Outlay on other Agriculture Programmes	-	5.25
8	4515- Capital Outlay on other Rural Development Programmes	1.25	-
<b>Total</b>		<b>492.17</b>	<b>5.25</b>

Source: Finance Accounts of the State Government

Booking of expenditure of ₹ 497.42 crore in respect of ‘Grants-in-aid’ and ‘Subsidies’ in Capital Section resulted in understatement of revenue expenditure and also consequential overstatement of the revenue surplus to that extent.

The FD replied (December 2016) that all the administrative departments of GoG have been instructed to follow IGAS-2 while preparing Budget Estimates for expenditure incurred on Grants-in-aid projects and schemes and to avoid misclassification while issuing the grant at the sub-head level to the controlling officer/DDOs.

The FD may take effective measures to scrutinise the issue of misclassification at the time of finalisation of budget estimates.

## **2.7 Conclusion and Recommendations**

During 2015-16, expenditure of ₹ 1,28,475.69 crore was incurred against total grants and appropriations of ₹ 1,45,866.93 crore resulting in overall savings of ₹ 17,391.24 crore. The overall savings of ₹ 17,391.24 crore were the result of savings of ₹ 17,690.33 crore, offset by excess of ₹ 299.09 crore.

***This excess of ₹ 299.09 crore requires regularisation under Article 205 of the Constitution of India.***

In 11 cases, there were persistent saving of more than ₹ 50 crore in each case during the last five years in respect of grants pertaining mainly to Finance Department, Social Justice and Empowerment Department, Roads and Buildings Department etc. indicating that either the provisions were excessive or the executive was not successful in implementing the legislative aspirations.

There was also excess expenditure over provision of more than ₹ 10 crore consistently for the last three years in respect of six schemes under four different grants.

***The Controlling/Disbursing Officers may keep a close and constant watch over the progress of expenditure against the sanctioned allotment in order to avoid saving/excess especially in departments where persistent savings/excess were noticed. They may also specifically strengthen monthly expenditure control and monitoring mechanism.***

Indian Government Accounting Standard (IGAS)-2 regarding Accounting and Classification of Grants-in-aid prescribes that the Grants-in-aid disbursed by a grantor shall be classified and accounted for as revenue expenditure in the Financial Statements of the grantor irrespective of the purpose for which the funds were disbursed. However, during the year 2015-16, amounts of ₹ 492.17 crore and ₹ 5.25 crore were disbursed as Grants-in-aid and subsidy respectively under the capital major heads of expenditure in violation of IGAS-2.

***The Government may ensure compliance to IGAS in budget formulation so that the expenditure under Grants-in-aid and subsidy is accounted for as revenue expenditure in the Government Accounts.***