

Chapter 9

REVIEW OF SELECTED GRANTS

Grant No.27-Currency, Coinage and Stamps (Ministry of Finance-Department of Economic Affairs)

Introduction

9.1 Ministry of Finance, Department of Economic Affairs has overall administrative control over various Mints, Presses, Mill and Stamp Store involved in production, printing, issue and storage of currency notes, coins and stamps etc. There are 10 industrial organisations comprising five mints, two note printing presses, two security printing presses, one security paper mill attached with a central stamp store.

Overall position

9.2 Table 9.1 gives the budget provision, actual disbursements and unspent provision during 1998-01.

Table 9.1: Overall position of grant during 1998-01

(Rs. in crore)

Year	Total provision		Actual disbursements		Unspent provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
1998-99	943.65	2003.71	826.83	1790.95	116.82	212.76
1999-2000	969.66	570.50	899.37	330.89	70.29	239.61
2000-01	1051.18	748.94	847.67	550.07	203.51	198.87

9.3 There were large unspent provisions during the above years. Unspent provisions under this grant exceeding Rs.100 crore were highlighted in Chapters XII and XI of Report No.1 of C&AG (Civil) for the years 2000 and 2001 respectively. Under revenue heads the percentage of unspent provision increased from 12 to 19 *per cent* whereas under capital heads the increase was 11 to 27 *per cent* indicative of unrealistic budgetary assumptions or faulty implementation of programmes by the department.

9.4 The Ministry, in their explanatory notes submitted to Public Accounts Committee during these years, furnished almost similar reasons for lower

spending compared to the allotted provisions. It had stated that all efforts were being made to minimise savings and that all units had been directed to prepare estimates realistically and incur timely expenditure for the approved purposes. However, the problem persisted in 2000-01, which registered a further rise in the under utilisation of resources.

Persistent unspent provisions

Currency Note Press

9.5 Currency Note Press prints notes in denominations of rupees 10, 50 and 100. Persistent unspent provisions under different heads of the press and reasons thereof are given in Table 9.2.

**Table 9.2: Position of persistent unspent provision under different heads of
Currency Note Press**

(Rs in crore)

	1998-99	1999-00	2000-01	Reasons attributed by the Ministry
Management	-	9.11	18.24	Non-filling up of vacant posts and less payment of OTA.
Operation and Maintenance	5.01	-	24.99	Delay in according administrative approval to proposal for procurement of spare parts and less receipt of anticipated materials from suppliers.
Plant & Machinery	7.94	1.43	-	Non-supply of wagons by Bharat Earth Movers Ltd. owing to extension of delivery period
Building	1.86	-	1.95	Non-receipt of approval for additional expenditure for modernization of Press and non-utilisation of funds by National Building Construction Corporation.

9.6 The Ministry was required to assess the position with reference to past actuals and appropriately reduce provisions in the next year to avoid blockade of funds. Recommendations of the Standing Committee of Finance for taking prompt action in finalizing proposals to avoid cost escalation and for meaningful spending of allocated funds were also not followed by the Ministry.

Bank Note Press, Dewas

9.7 Press prints notes of denominations of Rs. 20, 50,100 and 500. The press also manufactures and partly meets the requirements of ink of India Security Press, Currency Note Press, Security Printing Press. The position of persistent unspent provisions under different heads for the last three years is shown in Table 9.3.

Table 9.3: Position of persistent unspent provisions under Bank Note Press

(Rs in crore)

	1998-99	1999-00	2000-01	Reasons attributed by the Ministry
Management	-	1.48	9.65	Non-filling up of vacant posts and less payment of OTA.
Operation and Maintenance	65.48	24.41	47.15	Delay in supply of paper by SPM, less procurement of imported spare parts and materials, delay in finalising the contract, failure of foreign supplier in maintaining the supply schedule and cancellation of over-hauling of printing machine.
Other Expenditure	3.38	3.79	17.49	Deployment of less Government Capital on inter-account transfers due to reduction of interest and adoption of revised interest formula and less depreciation on capital accounts.
Plant & Machinery	4.06	-	2.30	Non-supply of wagons by Bharat Earth Movers Ltd. and postponement of purchase of water chiller for A.C. Plant.
Building	6.06	2.48	2.59	Non-implementation of water supply scheme by Madhya Pradesh Government and non-taking up of some of the work by CPWD owing to non-approval by the State Government.

9.8 Major unspent provisions in this unit were under operation and maintenance. This occurred due to short supply of paper by Security Paper Mill, which could not achieve targeted production as also non-observance of time schedule by foreign supplier. In both cases, since it was possible to

foresee the position, excess budget provision was avoidable. Under 'Other Expenditure' the adoption of revised formula in computation of interest was a hint for making adjustment in budget provisions\prompt surrender of probable surplus of funds but the Ministry failed to do so.

9.9 There was continuous non\under-utilisation of funds allocated for procurement of 30 treasure wagons from BEML. Supply was completed only in 2000-01 whereas the budget provision was being made from 1998. Further persistent under- utilization of the provisions made for implementation of water supply scheme by Madhya Pradesh Government could have been avoided since the Ministry was aware of CPWD's refusal to take up the execution of work due to non-approval of detailed project report. In both cases, Ministry could have provided lesser funds or promptly surrendered surplus funds.

Security Paper Mill

9.10 The Security Paper Mill manufactures currency, bank note and stamp papers which are supplied to Bank Note Press, Currency Note Press and India Security Press for printing currency notes and other security paper items. The mill could not achieve targeted production of paper, resulting in shortage in the supply of paper to these units. There were persistent unspent provisions under different heads of the mill as shown in Table 9.4.

Table 9.4: Persistent unspent provisions under different heads of Security Paper Mill

	1998-99	1999-00	2000-01	Reasons attributed by the Ministry
Management	2.91	2.49	1.26	Non-filling up of vacant posts, less payment of Group Incentive by Central Industrial Security Forces.
Operation and Maintenance	21.30	12.46	18.89	Less procurement of materials owing to less production of paper.
Plant and Machinery	10.78	6.68	8.64	Non- finalisation of procurement process for automatic perforation machine and computer network system, sheet cutter, weight gauge, stamping press unit, bowl welding machine and vehicles.

9.11 The budget estimates framed for procuring materials required for production of paper proved surplus. Ministry could have taken expeditious

action for early surrender of funds under these heads without waiting for the year-end. The Ministry however surrendered funds at the end of the year, leading to persistently large unspent provisions.

Mints

9.12 India Government Mints at Mumbai, Kolkatta, Hyderabad, Chevalapalli and NOIDA, besides minting coins, examine and dispose off withdrawn coins and tender expert opinion on counterfeit and doubtful coins etc. There were persistent unspent provisions under different heads as shown in Table 9.5.

Table 9.5: Persistent unspent provisions under different heads of Mint

(Rs in crore)

	1998-99	1999-00	2000-01	Reasons attributed by the Ministry
Management and Establishment.	5.27	-	8.72	Less procurement of material, less payment of incentive due to non-commencement of second shift at Noida Mint, enhancement of working hours, non-procurement of jute bags and graphite dyes by IGM, Mumbai.
Plant & Machinery	20.90	20.18	27.30	Non-finalisation of procurement process of automatic perforation machine and computer network system and non-procurement of power factor correction equipment and engraving machine due to late receipt of financial sanction and administrative approval.
Building	2.29	3.84	-	Non-finalisation of township scheme at Chevalapalli and Hyderabad and slow progress of civil work by executing agency.

9.13 Persistent under utilisation under the above heads occurred for similar reasons i.e., non-finalisation of procurement process of various items of plant and machinery intended for modernization of Mints project. Commissioning of the project was delayed and the objective of increased indigenous production of coins remained unachieved. Slow progress of civil work was also a limiting factor.

India Security Press, Nasik

9.14 Press prints postal stationery, postal and non-postal stamps, judicial and non-judicial stamps, cheques, bonds and other security documents. The

central stamps depot attached to the press deals with the supply of finished products. There was persistent unspent provision under many heads during the last three years as given in Table 9.6.

Table 9.6: Persistent unspent provision under different heads of India Security Press

(Rs in crore)

	1998-99	1999-00	2000-01	Reasons attributed by the Ministry
Management	-	1.98	11.50	Non-filling of vacant posts and less payment of OTA, incentive etc.
Operation and Maintenance	2.65	11.59	41.00	Less-procurement of paper, material, reduction of cost of paper, non-receipt of electricity bills, less requirement of funds by CPWD and less expenditure on minor works.
Plant & Machinery	-	16.02	13.22	Non-finalisation of procurement process for automatic perforation machine, computer network system and six colour offset machines.
Building	-	3.58	2.17	Slow progress of work by CPWD and less expenditure incurred by National Building Construction Corporation owing to delay in financial and administrative approval.

9.15 Under utilization of funds due to non-finalisation of procurement process for various plant and machinery items and slow execution by CPWD/delay in financial/administrative approval, was indicative of inadequate monitoring and implementation due to which targeted utilization of earmarked funds was not achieved. The option of reduced provisioning in view of such uncertainties was also not exercised causing blockade of scarce resources of funds year after year.

Security Printing Press, Hyderabad

9.16 It supplements the output of India Security Press for postal stationery, raw materials for printing of postal stationery, central excise stamps, match excise banderols and non-judicial stamps. There were persistent unspent provisions under operation and maintenance and plant and machinery heads of the press during the last three years as shown in table 9.7 below:

Table 9.7: Persistent unspent provisions under Security Printing Press

(Rs. in crore)

	1998-99	1999-00	2000-01	Reasons attributed by the Ministry
Operation and Maintenance	13.59	8.88	2.57	Delay in procurement of spares, staggering of procurement owing to non-receipt of indents from Department of Posts and procurement of spares at cheaper rates.
Plant & Machinery	5.52	-	1.00	Non-finalisation of procurement process for automatic perforation machine and computer network and lower cost of multi colour offset machine than anticipated.

Purchase of Metal

9.17 The allocated budget provisions under this head are for meeting expenditure on purchase of metals required for coinage, coin blanks and import of coins by Mints. During the last two years there were large unspent provisions under the head as shown in Table 9.8.

Table 9.8: Persistent unspent provision on purchase of metal for the last two years

(Rs in crore)

	Sanctioned provision	Actual expenditure	Unspent provision	Reasons attributed by the Ministry
1998-99	300.00	179.49	120.51	Non-receipt of nickel, copper and ferritic stainless steel coins owing to delay in finalisation of agreement and also due to non-receipt of inward claims for balance 2% payment.
1999-2000	290.00	204.36	85.64	Reduction of prices of copper and nickel, less receipt of stainless steel coins, blank coins from foreign suppliers, non-finalisation of fresh global tenders, non-receipt of bills for payment against metal purchased.

Import of Coins

9.18 During the last three years, budget provision for import of coins ranging from 39 to 63 percent remained unutilised as shown in Table 9.9.

Table 9.9: Financial position on import of coins for the last three years.

(Rs in crore)

	Sanctioned provision	Actual expenditure	Unspent provision	Reasons attributed by the Ministry
1998-99	100.00	61.49	38.51	Less value of imported coins than anticipated and non-supply of full quantity of coins
1999-2000	160.00	58.90	101.10	Delay in inspection and shipment owing to revised policy of inspection.
2000-01	355.00	150.62	204.38	Delay in inspection and shipment of coins owing to revised policy of inspection.

9.19 The persistent under-utilisation of budget provisions discussed above reveals that the Ministry failed to effectively analyse and control the factors leading to huge savings occurring in these organizations. Budgetary estimates were formulated by the Ministry without adequate review of past trends in expenditure.

Rush of expenditure in the month of March

9.20 Scrutiny of the grant revealed that 18 to 86 *per cent* of total expenditure during the last three years under the major heads, was incurred during the month of March every year as shown in Table 9.10.

Table 9.10: Rush of expenditure during the month of March

(Rs. in crore)

Sl. No.	Major Head	Expenditure		
		Total during the year	In March	Percentage
2000-01				
1.	2046-Currency, Coinage & Stamps	669.37	137.63	21
2.	2047-Other fiscal services	178.30	65.04	36
3.	4046-Capital outlay in Currency, Coinage & Stamps	529.43	102.42	19
4.	4047-Capital outlay on other fiscal services	20.64	15.55	75
1999-00				
1.	2046-Currency, Coinage & Stamps	693.14	152.38	22
2.	2047-Other fiscal services	206.23	51.90	25
3.	4046-Capital outlay in Currency, Coinage & Stamps	313.29	82.09	26
4.	4047-Capital outlay on other fiscal services	17.60	3.18	18

Review of Selected Grants

Sl. No.	Major Head	Expenditure		
		Total during the year	In March	Percentage
1998-99				
1.	2046-Currency, Coinage & Stamps	617.09	180.45	29
2.	2047-Other fiscal services	209.75	68.12	32
3.	4047-Capital outlay on other fiscal services	18.33	15.80	86

9.21 Since the funds released in the month of March to the implementing organisations cannot be constructively spent during the year, it was not possible to conclude whether these funds were used for the purpose for which they were provided for, during these years. Release of funds at the fag end of the financial year was indicative of deficient financial management.

Surrender of unspent provision

9.22 Rule 69 of General Financial Rules provides that unspent provisions in a grant or appropriation are to be surrendered to the Government as soon as these are foreseen without waiting for the end of the financial year. Unspent provisions should also not be held in reserve for possible future excess. However, contrary to the General Financial Rules, the department surrendered the amount on the last dates of financial years. The amounts surrendered under voted portion of the grant during 1998-01 are shown in Table 9.11.

Table 9.11 Surrender of funds during 1998-01

Year	<i>(Rs. in crore)</i>			
	Unspent provision		Amount surrendered	
	Revenue	Capital	Revenue	Capital
1998-99	116.82	212.76	97.38	177.56
1999-00	70.29	239.61	59.00	198.34
2000-01	203.51	198.87	196.17	167.50

Grant No.48- Other Expenditure of Ministry of Home Affairs

Introduction

9.23 The Ministry of Home Affairs is responsible for civil defence, internal security, centre state relations, administration of the Union Territories,

national integration, communal harmony, relief and rehabilitation of displaced persons, freedom fighters, regulation of entry of foreigners into India etc. It maintains and administers all Central Para Military Forces, Police Organisations.

Overall position

9.24 The budget provision, actual disbursements and unspent provisions under voted portion of the grant during the last three years were as shown in Table 9.12.

Table 9.12: Overall position of funds for the last three years

(Rs. in crore)

Year	Total provision		Actual disbursements		Unspent provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
1998-99	646.44	295.40	521.06	252.31	125.38	43.09
1999-00	671.21	291.63	533.86	289.44	137.35	2.19
2000-01	582.41	257.64	553.72	242.90	28.69	14.74

Unspent provision and excess leading to net unspent provision

9.25 Under voted portion of the grant, the gross unspent provision was largely offset by excess disbursement under other heads resulting in net unspent provision during 1998-01 as shown in Table 9.13.

Table 9.13: Unspent amount and excess leading to net unspent provision

(Rs. in crore)

Year	Gross unspent provision		Unspent provision offset by excess		Net unspent provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
1998-99	145.12	55.38	19.74	12.29	125.38	43.09
1999-00	150.89	10.72	13.54	8.53	137.35	2.19
2000-01	86.91	21.67	58.22	6.93	28.69	14.74

9.26 It is evident that there were large unspent provisions under some heads/schemes/activities, which were partly offset by excess under other heads. Some of the schemes/sub-heads/activities most affected by large unspent provision/ excesses during 2000-01 are given in **Appendix-XXVII** and **Appendix-XXVIII**. The Ministry stated in December 2001 that unspent

provision was due to non/less-receipt of reimbursement claims in time and non-receipt of audit certificates from the State Governments. The Ministry further stated that due to post budget decision to rehabilitate refugee families of Assam and receipt of arrear claims alongwith requisite audit certificates from State Governments of West Bengal and Madhya Pradesh, the excess release was made to these State Governments.

Persistent unspent provision

Payment to the former Chogyal

9.27 The Ministry had been making provisions every year for settlement of compensation claims submitted by Ex-Chogyal of Sikkim. However, no disbursements were made and the entire budget provision of Rs.0.10 crore, Rs.10.00 crore and Rs.10.00 crore respectively remained unutilised during last three years i.e. 1998-01. The Ministry stated in December 2001 that all necessary steps to settle the matter at the earliest were being taken.

Other Miscellaneous items

9.28 The Ministry had been making provisions every year for developing and supporting various programmes/schemes for the North Eastern Region. The schemes/programmes consist of activities such as water and land management, sport and youth activities, agro-horticultural, resource management project, computer education, promotion of industrialization and development of handicraft and handlooms. Financial outlays of the scheme during 1998-01 were as shown in Table 9.14.

Table 9.14: Financial outlay on other miscellaneous items during 1998-01

<i>(Rs in crore)</i>			
Year	Budget provision	Actual disbursements	Unspent provision
1998-99	19.48	16.56	2.92
1999-00	31.92	12.93	18.99
2000-01	29.16	22.25	6.91

9.29 The Ministry attributed the unspent provisions to non-receipt of comprehensive proposals, slow progress/non-approval of schemes, less expenditure, non-finalisation of purchase of computers and change in the pattern of funding. The large persistent unspent provision indicated that the

Ministry had not been closely monitoring the progress of these schemes/projects/activities.

Grants-in-aid to State Governments – Rehabilitation Grants for resettlement in Jammu and Kashmir

9.30 The objective of the scheme was to provide grants for relief and rehabilitation of persons affected by Indo-Pak conflict, 1971 for resettlement in Jammu and Kashmir. Budget provision of Rs.1.75 crore was made each year during 1999-00 and 2000-01 but no amount was spent/released under the scheme due to non-receipt of claims from the state government. The Ministry stated in December 2001 that due to non-receipt of audit/utilisation certificates for earlier releases, fresh amounts could not be released.

Grants-in-aid to State Governments – Schemes of North Eastern Council-Special Development Project

9.31 The North Eastern Council, Shillong forwards proposals to the Central Government, after formulating unified and co-ordinated regional plans for the constituent states in regard to matters of common importance for securing a balanced development, in addition to the State Plans. The funds for this purpose are allocated by the Planning Commission to the Council. There were large unspent provisions due to non-sanction of schemes, reduction in grants-in-aid and non-finalisation of Expenditure Finance Committee Memoranda during 1998-01 as detailed in Table 9.15.

Table 9.15: Budget provision, actual disbursement and unspent provision under the scheme of North Eastern Council during 1998-01

(Rs in crore)

Year	Budget provision	Actual disbursements	Unspent provision
1998-99	79.62	53.09	26.53
1999-00	113.68	68.66	45.02
2000-01	125.02	97.86	27.16

Loans and Advances to State Governments (*Charged*) – Schemes of North Eastern Council

9.32 Appropriation of loans for the schemes of North Eastern Council for ‘Special Development project’ have regularly been made by the Ministry. The

budget provisions, actual disbursements and unspent provisions for the years 1998-01 in respect of loans are shown in Table 9.16.

Table 9.16: Budget provision, actual disbursement and unspent provision under ‘Loans for schemes of North Eastern Council’ during 1998-01

(Rs in crore)

Year	Budget provision	Actual disbursements	Unspent provision
1998-99	7.80	5.64	2.16
1999-00	11.64	6.87	4.77
2000-01	11.46	9.75	1.71

9.33 Large persistent unspent provisions under the schemes indicated that there was slackness on the part of the Department/Implementing agencies in implementation of the schemes. The budget estimates were framed without adequate review of the trend of disbursements.

Persistent excess expenditure

Swatantrata Sainik Samman Pension Scheme

9.34 There were persistent excesses under Swatantrata Sainik Samman Pension Scheme during 1999-01, which increased from 5 *per cent* in 1999-00 to 24 *per cent* in 2000-01.

9.35 The department attributed reasons in December 2001 for excess expenditure to delayed reporting of expenditure by large number of disbursing authorities to Central Pension Accounting Office and late implementation of orders of the enhancement of pension.

9.36 Budget estimates were not prepared realistically. Even the revised estimates providing Rs 211.38 crore fell short of actual expenditure by Rs 26.24 crore in 2000-01. It was also noticed that re-appropriation of Rs 34.64 crore for the scheme was approved by Secretary (Expenditure), which was however not given effect to by Ministry and the amount was surrendered on 31 March 2001 instead of meeting excess expenditure. Consequently, the year ended with total excess expenditure of Rs 46.30 crore under the scheme.

Grants-in-aid to Regional Paramedical Institute, Aizwal

9.37 The Regional Paramedical and Nursing Training Institute is an autonomous body intended to develop adequately trained paramedical manpower for the North Eastern Region, provide facilities for research and training in the paramedical field. Financial outlays of the institute during 1999-01 are given in Table 9.17.

Table 9.17: Position of grants-in-aid to Regional Paramedical Institute, Aizwal during 1999-01

<i>(Rs in crore)</i>			
Year	Budget provision	Actual disbursements	Excess
1999-2000	3.50	4.19	0.69 (20)
2000-01	5.50	7.37	1.87 (34)

Figure in brackets denotes percentage of excess disbursement

9.38 The percentage of excess disbursements to allotment of funds ranged between 20 and 34 *per cent* indicated that budget was prepared unrealistically. During 2000-01, the Ministry re-appropriated and released the funds to the institute without approval of Secretary (Expenditure). The Ministry attributed the reasons for excess to augmentation of fund provision with a view to complete the project work in time as per Phase II Programme of the Institute. The unauthorized release requires regularisation.

Surrender of unspent provisions

9.39 Contrary to Rule 69 of General Financial Rules, the Ministry surrendered the unspent provision on the last dates of financial years. The amounts surrendered under voted portion of the grant during 1998-01 are shown in Table 9.18 below:

Table 9.18: Surrender of funds during 1998-01

(Rs. in crore)

Year	Unspent provision		Amount surrendered	
	Revenue	Capital	Revenue	Capital
1998-99	125.38	43.09	122.70	42.66
1999-2000	137.35	2.19	145.85	-
2000-01	28.70	14.74	73.00	14.83

9.40 In most of the cases, the amounts surrendered exceeded the net unspent provision indicative of the lack of co-ordination and inadequate information system in the Ministry.

Release of funds at the fag end of the financial year

9.41 Principal Pay and Accounts Office (A\Cs.), Ministry of Home, New Delhi was required to maintain 'Expenditure Control Register' (ECR) in respect of all the amounts appearing in the appropriation accounts prepared by it. However, the Pr.AO was not maintaining the ECR for the funds released under Major Head '2552-North Eastern Areas' and '3601.05.101- Schemes of North Eastern Council' and as such correctness of amounts appearing under these heads in the appropriation account cannot be ascertained.

9.42 Out of a total Rs 81.08 crore released as grants-in-aid to the State Governments and autonomous bodies, Rs.37.38 crore was released between 16 March and 31 March 2001 violating the provisions of General Financial Rules.

Disbursement on 'New Service/New Instrument of Service'

9.43 As per Government of India Decision No.1 below Rule 10 of Delegation of Financial Power Rules, 1978, additional grants-in-aid in excess of Rs.10 lakh or 10 *per cent* of the budget provision or Rs.2 crore, whichever is less to statutory and other public institutions, attracts the limitations of New Service/New Instrument of Service and requires prior approval of Parliament. However, scrutiny of accounts for 2000-01 revealed that against the sanctioned provision of Rs.550.00 lakh, the Ministry released grants-in-aid of Rs.737.00 lakh to the Regional Para Medical Institute, Aizwal though their proposal had been rejected by Secretary (Expenditure). The additional grant of Rs.187.00 lakh, released without obtaining prior approval of Parliament,

**The CAG's Report on
Union Government Accounts 2000-01**

exceeded the limit of 10 percent of the budget provision of Rs. 550.00 lakh and attracted the provisions of 'New Service/New Instrument of Service' and requires regularisation.

9.44 Further, as per provisions of item II (J) of Government of India Decision (1) below Rule 10 of Delegation of Financial Power Rules, payment of subsidies in excess of Rs.10.00 lakh requires prior approval of Parliament. However, against the sanctioned provision of Rs.1000.00 lakh, the Ministry released Rs.1054.38 lakh towards additional subsidies though this did not have the clearance by Secretary (Expenditure). The additional releases of Rs.54.38 lakh exceeded the limit of Rs.10.00 lakh and as such attracted the provisions of 'new service/new instrument of service' and require regularization.

Rush of disbursements

9.45 As per Note 3 below Rule 69 of General Financial Rules, rush of disbursements particularly in the closing month of the financial year is to be regarded as breach of financial regularity and should be avoided. Contrary to this, disbursements ranging from 19 to 100 *per cent* of the total disbursements were made in January to March during 1998-01 under the major heads as shown in Table 9.19.

Table 9.19: Cases of rush of disbursement during the last quarter of the financial year

(Rs in lakh)

Major Head	Disbursements					
	1998-1999		1999-2000		2000-2001	
	Total	Last quarter	Total	Last quarter	Total	Last quarter
2056-Jails	10.00	10.00 (100)	19.50	19.50 (100)	--	--
2070-Other Administrative Services	376.07	362.00 (96)	500.00	190.00 (38)	440.15	99.55 (23)
2075-Miscellaneous General Services	12.56	4.86 (38)	12.23	5.75 (47)	9.24	3.60 (39)
2235-Social Security and Welfare	23578.19	21882.45 (93)	25354.08	9296.59 (37)	28222.38	9055.83 (32)
2250-Other Social Services	65.48	40.19 (61)	122.52	64.43 (53)	126.10	50.00 (40)
2552-North Eastern Areas	5703.50	5543.51 (97)	4527.56	2100.47 (46)	6020.86	3577.05 (59)
3053-Civil Aviation	711.50	520.91 (73)	957.66	641.61 (67)	1054.38	437.84 (42)

Review of Selected Grants

Major Head	Disbursements					
	1998-1999		1999-2000		2000-2001	
	Total	Last quarter	Total	Last quarter	Total	Last quarter
3475-Other General Economic Services	--	--	10111.18	5779.98 (57)	4913.63	4913.63 (100)
3601-Grants-in-aid to State Governments	11648.89	5722.65 (49)	11781.44	6894.24 (58)	14556.17	8729.97 (60)
4552-Capital Outlay on North Eastern Areas	8930.67	8914.62 (99)	7993.55	4171.45 (52)	9566.17	8884.72 (93)
6552-Loans for North Eastern Areas	16300.00	4800.00 (29)	20950.00	4000.00 (19)	14724.00	6224.00 (42)
7601-Loans and Advances to State Governments (charged)	602.32	335.75 (56)	687.08	453.27 (66)	975.28	682.33 (70)

Figure in brackets denotes percentage

9.46 In addition, it was also observed that large amount of disbursements were made during 1998-01 in the month of March in order to avoid surrender of unspent provision. Major head-wise details of such disbursements are as shown in Table 9.20.

Table 9.20: Cases of rush of disbursements during the month of March

(Rs in lakh)

Major Head	Disbursements					
	1998-1999		1999-2000		2000-2001	
	Total	March	Total	March	Total	March
2056-Jails	10.00	10.00 (100)	19.50	19.50 (100)	--	--
2075-Miscellaneous General Services	12.56	4.77 (38)	12.23	4.59 (38)	9.24	1.37 (15)
2250-Other Social Services	65.48	19.87 (30)	122.52	41.62 (34)	126.10	38.61 (31)
2552-North Eastern Areas	5703.50	1135.07 (20)	4527.56	1105.52 (24)	6020.86	2665.53 (44)
3053-Civil Aviation	711.50	337.83 (47)	957.66	558.00 (58)	1054.38	154.08 (15)
3601-Grants-in-aid to State Governments	11648.8 9	4049.76 (35)	11781.4 4	1959.48 (17)	14556.1 7	4886.21 (34)
6552-Loans for North Eastern Areas	16300.0 0	2300.00 (14)	20950.0 0	1700.00 (8)	14724.0 0	3224.00 (22)
7601-Loans and Advances to State Governments	602.32	170.77 (28)	687.08	132.06 (19)	975.28	206.55 (21)

Figure in brackets denote percentage

9.47 Since the funds released to the various organisations in the month of March\last quarter of the financial year cannot be constructively spent during the year, it is not possible to conclude whether the funds were applied for the purpose for which these were authorised. Release of funds at the fag end of financial year was indicative of deficient financial management and mainly aimed at avoiding lapse of budget grant.

Unnecessary Supplementary grant

9.48 If the amount provided for in the sanctioned budget for any service in a financial year is found to be insufficient for the purpose in that year or when a need has arisen during that year for supplementary or additional expenditure upon some 'New Service' not contemplated in the original budget for that year, Government has to obtain supplementary grant or appropriation in accordance with the provision of Article 115(1) of the Constitution.

9.49 While obtaining the supplementary grant , Ministry has to keep in view the resources available or likely to be available during the year and exercise due caution while forecasting its additional budgetary requirement of funds and seeking supplementary provision. Scrutiny of Grant No.- 48 –Other Expenditure of the Ministry of Home Affairs for the year 2000-01 revealed that the Ministry obtained supplementary grants of Rs. 13.32 crore under capital (voted) in December 2000 in anticipation of higher disbursement, however, the final disbursement was less than even the original grant.

9.50 As the disbursement was less than the original provision, the Ministry was required to obtain token/technical supplementary for reappropriating the unspent provisions within the segments of the grant instead of obtaining large amounts and as such the supplementary grant proved to be unnecessary.

Grant No.69- Ministry of Power

Introduction

9.51 The Ministry of Power is responsible for perspective planning, policy formulation, processing of power projects for investment decisions, monitoring of the implementation of power projects, training and man power development and the administration and enactment of legislation in regard to thermal power, hydel generation transmission and distribution.

Overall position

9.52 The overall position of budget provisions, actual disbursements and unspent amounts is given in table 9.21.

Table 9.21: Overall position of funds for the last five years

(Rs in crore)

Year	Total provision		Actual disbursement		Unspent provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
1996-97	637.73	2455.22	626.37	2370.27	11.36	84.95
1997-98	931.50	3414.73	929.85	2731.13	1.65	683.60
1998-99	1116.13	2691.94	1037.88	2690.93	78.25	1.01
1999-2000	1242.53	2975.73	1222.61	2795.23	19.92	180.50
2000-01	1531.78	2644.49	1366.20	2406.33	165.58	238.16

Unspent amount and excess leading to net unspent provision

9.53 Under revenue section of the grant, the gross unspent provision of Rs 217.23 crore during 2000-01 was partly off set by excess disbursement of Rs 51.65 crore under other heads resulting in net unspent provision of Rs 165.58 crore. Few cases of major unspent provision for the last three years are shown in **Appendix-XXIX**.

9.54 Such large unspent provisions are indicative of the need on the part of the Ministry to review their system of budgetary assumptions or/and efficiency of the programme management. Necessary steps need to be taken to make the budgetary exercise more realistic not only to minimise large-scale variations between the estimates and actuals but also to gainfully utilise the scarce resources to meet the urgent demands of other sectors of economy.

Unrealistic Budgeting

9.55 As per instructions contained in Rule 53 of the General Financial Rules, ministries/departments are required to prepare their estimates, keeping in view the trends of disbursements during the previous years and other relevant factors like economy instructions issued by the Ministry of Finance.

9.56 A scrutiny of the Appropriation Accounts revealed that under the sub-heads as shown in **Appendix-XXX**, 41 to 100 *per cent* of the total provision

remained unutilised during the period 1998-01 and were re-appropriated to other heads defeating the original purpose for which the budget provisions were passed by Parliament.

Persistent unspent provisions

9.57 In the sub-heads/schemes shown in Table 9.22, the budget provisions remained entirely unutilised during the last three years i.e. 1998-01.

Table 9.22: Cases of persistent unutilisation of funds

(Rs. in crore)

Sl. No.	Major Head/Scheme	1998-99	1999-00	2000-01
1.	2801- Investigation Electricity Development Fund	-	0.50	0.50
2.	2801-Central Electricity Authority (Transfer of technology in Hydro Development)	-	2.00	1.00
3.	2801-Power Grid Corporation of India Ltd.	1.00	0.50	50.00
4.	2801- Rural Electrification Corporation	1.00	0.75	0.01

9.58 Persistent non-utilisation of the entire provision indicates that the provisions were made mechanically without any realistic basis.

Rush of disbursement in March

9.59 Sizeable portion of the total disbursements under the Major Heads shown in the Table 9.23 were made in the month of March 2001.

Table 9.23: Rush of disbursement

(Rs in crore)

Sl. No.	Major Head	Disbursements		
		Total	During March	Percentage
1.	3601-Grants-in-aid to State Governments.	49.97	47.70	95%
2.	6801-Loans for Power Projects	1072.07	521.42	49%
3.	7601-Loans and Advances to State Governments (Charged)	5.57	5.57	100%

9.60 If the major portion of funds are released in March to various organisations, state/union territory governments/implementing agencies can not constructively spend them during the year. Release of funds at the fag end of the financial year was indicative of deficient financial management.

Surrender of unspent provision

9.61 Rule 69 of the General Financial Rules provides that unspent provisions in a grant or appropriation are to be surrendered to Government as soon as these are foreseen without waiting for the last quarter or fag end of the financial year. Unspent provisions should also not be held in reserve for possible future excesses.

9.62 Scrutiny of Appropriation Accounts revealed that the Ministry surrendered funds ranging from Rs 72.50 crore to Rs 684.56 crore on the last day of the financial year during the period 1997-01 as detailed in Table 9.24.

Table 9.24: Surrender of funds during 1997-01

(Rs in crore)

Year	Date of approval of Revised Estimates	Amount and dates of surrender of unspent provision	
1998-99	8.12.1998	72.50	31.3.1999
1997-98	15.12.1997	684.56	31.3.1998
1999-2000	10.12.1999	193.38	31.3.2000
2000-01	12.12.2000	357.58	31.3.2001

Non-utilisation of Supplementary Grants

9.63 While obtaining the supplementary grant, Ministry has to keep in view the resources available or likely to be available during the year and exercise due caution while forecasting its additional budgetary requirement of funds and seeking supplementary provision. Resort to supplementary demands should only be made in exceptional and urgent cases.

9.64 In the cases shown in Table 9.25 below, although the supplementary provisions were obtained in anticipation of higher expenditure, no expenditure was incurred. This indicated lack of monitoring and expenditure control on the part of the Ministry.

Table 9.25: Non-utilisation of supplementary grant

(Rs. in crore)

Sl. No.	Major Head	Supplementary grant obtained	Actual disbursement	Unspent provision
1.	3601 - Grant for Central Plan Scheme- Rural Electrification Scheme common to NE States and Sikkim	12.53	NIL	12.53
2.	7601-Loans and Advances to State Governments- Transmission & Distribution Interstate Transmission line. (Voted)	5.20	NIL	5.20

Re-appropriation without prior approval of Secretary (Expenditure)

9.65 Ministry of Finance had prescribed that all re-appropriations which would have the effect of increasing the budget provision by rupees one crore or more under a sub-head should be made only with the prior approval of Secretary (Expenditure) even if the amount reappropriated was within 25 per cent of the provision covered under the limit governing re-appropriation.

9.66 Scrutiny of Appropriation Accounts of the Ministry of Power for the year 2000-01 revealed that in respect of the sub-head 4801-02.201.09- Replacement and Repair Works (Rs. 2.12 crore) re-appropriation of funds exceeded rupees one crore for which prior approval of Secretary (Expenditure) was required but no such approval was obtained. Department stated in October 2001 that the ex-post facto approval of Secretary (Expenditure) was being obtained.

Injudicious supplementary Grants

9.67 A supplementary grant of Rs 5.20 crore was obtained by the Ministry in December 2000 under Major head 7601-“Loans and Advances to State Governments” under capital section. As per provisions of the Constitution of India, any sums required for the purpose of making loans to states shall be charged on the Consolidated Fund of India. Accordingly the supplementary grant of Rs. 5.20 crore should have been “Charged” expenditure instead of “Voted” expenditure. On this being pointed out by audit, Ministry of Power

approached the Ministry of Finance to issue necessary corrigendum. Ministry of Finance did not agree to do so because the Appropriation Bill based on second batch of Supplementary Demands had already been passed by the Parliament and if the “Voted” and “Charged” provisions of the supplementary demands for grants were altered, it would effect the Appropriation Act which was not feasible. As the total expenditure would be within the sanctioned grant and Ministry of Power was asked to explain the reasons for saving/excess suitably. Thus, in violation of constitutional provisions, the supplementary grant of Rs. 5.20 crore pertaining to “Charged” portion was accounted for by the Ministry in “Voted” portion.

Grant No.79-Department of Road Transport and Highways (Ministry of Road Transport and Highways)

Introduction

9.68 The main functions of the Ministry of Surface Transport relate to Road Development including Border Roads, Planning and Co-ordination and Road Transport, development of Inland Water Transport, maritime shipping and navigation, development of Major Ports, developments of lighthouses and lightships, shipbuilding and chartering of Ships.

Overall position

9.69 The position of budget provision, actual disbursements, unspent provision under voted portion of the grant during the last three years i.e.1998-01 in respect of the grant is indicated in Table 9.26.

Table 9.26: Overall position of funds during 1998-01

(Rs in crore)

Year	Total provision		Actual disbursement		Unspent provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
1998-99	1047.25	2436.29	1047.83	1685.28	(+) 0.58	751.01 (31%)
1999-2000	2831.24	3773.80	2580.35	3384.41	250.89 (9%)	389.39 (10%)
2000-01	6212.27	4768.34	5361.98	4196.35	850.29 (14%)	571.99 (12%)

Figures in brackets denotes percentage of unspent provision

9.70 It would be seen that there were persistent large unspent provisions under both revenue as well as capital sections, which ranged from 9 to 31 *per cent* of the budget provision. In the Action Taken Note submitted to the Public Accounts Committee in respect of large unspent provisions for the year 1999-00, the Department assured close monitoring of projects and preparation of realistic budgets to avoid large unspent provisions. Despite the assurance, large unspent provisions continued to persist, indicating that the assurance has not been fulfilled.

Schemes/sub – heads affected by large unspent provision

9.71 A scrutiny of the Appropriation Accounts for the years 1998-01 revealed that the Ministry ended with large unspent provisions indicative of unrealistic budgeting assumptions and slackness in implementing the schemes/activities of the Ministry. Schemes/sub-heads under which large unspent provisions occurred are shown in **Appendix-XXXI**. From the Appendix, it would be seen that the percentage of unspent provision ranged between 48 to 90 *per cent* during the last three years which indicated that the main objective of the schemes were not achieved.

Surrender of unspent provision

9.72 Rule 69 of General Financial Rules provides that unspent provisions in a grant or appropriation are to be surrendered to the Government as soon as these are foreseen without waiting for the last quarter or fag end of the financial year. Unspent provision should also not be held in reserve for possible future excess. The Ministry surrendered the partial amount of unspent provisions on the last day of the financial year during the period 1998–01 even though the Revised Estimates were approved in January as indicated in Table 9.27.

Table 9.27: Surrender of unspent provision

<i>(Rs in crore)</i>			
Year	Dates of approval of Revised Estimates	Date of surrender of unspent provision	Amount surrendered
1998-99	18 January 1999	31 March 1999	743.16
1999-00	11 January 2000	31 March 2000	337.69
2000-01	13 January 2001	31 March 2001	1080.37

Rush of disbursements during the Month of March/ last quarter of the financial year

9.73 As per Rule 69 of General Financial Rules, rush of disbursements particularly in the closing month of the financial year is to be regarded as breach of financial regularity and should be avoided. Contrary to this, disbursements were made in January to March during 1999-01 under the Major Heads as shown in Table 9.28.

Table 9.28: Rush of disbursement during March\last quarter

(Rs in crore)

Sl. No	Major Head	Disbursements		
		Total during the year	During March	During last quarter
1999-2000				
1.	3054 - Roads and Bridges	2159.57	1469.11 (68)	1469.47 (68)
2.	3602 - Grants-in-aid to UT Governments	1.26	1.26 (100)	1.26 (100)
3.	7601-Loans and Advances to State Governments. (Charged)	15.26	15.26 (100)	15.26 (100)
2000-2001				
4.	3054 - Roads & Bridges	4418.57	3811.25 (86)	3831.35 (87)
5.	3602 - Grants-in-aid to UT Governments	13.75	13.75 (100)	13.75 (100)
6.	7601 - Loans and advances to State Governments. (Charged)	11.44	11.44 (100)	11.44 (100)

Figure in brackets denotes percentage

9.74 Since the funds released in March/last quarter of the financial year to various organisations cannot be constructively spent during the year, it is not possible to conclude whether these funds were applied during the year for the purpose for which they were authorised.