

Chapter 7

APPROPRIATION ACCOUNTS 2003-04: AN ANALYSIS

Excess disbursements over grants/appropriations

7.1 Article 114(3) of the Constitution provides that no money be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in accordance with the provisions of this Article. Further, General Financial Rule (GFR) 71 stipulates that no disbursements be made which might have the effect of exceeding the total grant or appropriation authorised by Parliament for a financial year except after obtaining a supplementary grant or an advance from the Contingency Fund. Table 7.1 contains the summary of total excess over the authorisation from the CFI. During 2003-04, there was an excess disbursement of Rs 421901976292 (i.e. Rs 42190.20 crore) in seven segments of seven grants/appropriations in Civil ministries, Rs 1175.28 crore under -13 segments of nine grants/appropriations of Railways and Rs. 37.50 crore in one segment of one grant in Defence. These are detailed in Table 7.2 and require regularisation under Article 115 (1) (b) of the Constitution.

Table 7.1: Summary of excess disbursements over grants/appropriations

		<i>(In Rupees)</i>		
		Civil	Railways	Defence
<i>Voted</i>	Revenue	39785153	7532852538	375027533
	Capital	14302652	4117206239	-
<i>Charged</i>	Revenue	20517240	79408223	-
	Capital	421827371247	23364713	-
No of Grants/ Appropriations		7	9	1
Total excess		421901976292	11752831713	375027533
				434029835538

Table 7.2: Details of excess disbursement over grants/appropriations

Sl. No	Grant/ Appropriation		Rupees	Contributory reasons as stated by Government
Civil:				
Revenue (Voted)				
1.	15-Department of Telecommunication	Grant Expenditure Excess	39432800000 39472585153 39785153	Due to payment of commuted value of pension/gratuities to the employees absorbed in BSNL/Payment of compensation under Universal Service obligation etc.

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Sl. No	Grant/ Appropriation		Rupees	Contributory reasons as stated by Government
Revenue (Charged)				
2.	39 Pensions	Grant	<i>127400000</i>	Due to receipt of more claims than anticipated relating to pensionary charges in respect of High Court Judges
		Expenditure	<i>147358401</i>	
		Excess	<i>19958401</i>	
3.	52-Cabinet	Grant	<i>1900000</i>	Due to payment made on a court decree
		Expenditure	<i>2458839</i>	
		Excess	<i>558839</i>	
Capital (Voted)				
4.	16-Department of Information Technology	Grant	<i>589000000</i>	Due to meeting expenditure for the benefit of North Eastern Region and Sikkim and also on account of fluctuation in conversion rate of foreign currency
		Expenditure	<i>601859171</i>	
		Excess	<i>12859171</i>	
5.	27-Department of Development of North Eastern Region	Grant	<i>702100000</i>	Due to meeting of committed liability towards Air Port Authority of India and additional requirement of funds for housing for North Eastern Council Staff/Guest House
		Expenditure	<i>703295395</i>	
		Excess	<i>1195395</i>	
6.	67-Ministry of Personnel, Public Grievances and Pensions	Appropriation	<i>6000000</i>	Due to increase in the rate of building material, after framing the estimates, for the construction of Lal Bhadur Shastri National Academy of Administration
		Expenditure	<i>6248086</i>	
		Excess	<i>248086</i>	
Capital (Charged)				
7.	37-Repayment of Debt	Grant	<i>3887803200000</i>	Due to pre-payment of loan and exchange rate fluctuation
		Expenditure	<i>4309630571247</i>	
		Excess	<i>421827371247</i>	
Defence Revenue (Voted)				
8.	24-Defence Ordnance Factories	Appropriation	<i>9315400000</i>	Due to shortfall in issues to the Services in respect of ammunition and Ordnance Equipment and Factory items under deduct head.
		Expenditure	<i>9690427533</i>	
		Excess	<i>375027533</i>	

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Sl. No	Grant/ Appropriation		Rupees	Contributory reasons as stated by Government
Railways:				
Revenue (Voted)				
9.	14-Appropriation to Funds – DRF, DF, Pension and CF	Grant Expenditure Excess	9897000000 105786181059 6816181059	Details are in Report No 8 of 2005 (Railways)
10.	15-Dividend to General Revenues	Grant Expenditure Excess	33154100000 33870771479 716671479	-do-
Revenue (Charged)				
11.	3-General Superintendence & Services	Appropriation Expenditure Excess	523000 1947035 1424035	-do-
12.	7-Repairs & Maintenance of Plant & Equipment	Appropriation Expenditure Excess	71000 92996 21996	-do-
13.	8-Operating Expenses- Rolling Stock and Equipment	Appropriation Expenditure Excess	1164000 1286059 122059	-do-
14.	9-Operating Expenses – Traffic	Appropriation Expenditure Excess	1067000 1552568 485568	-do-
15.	10-Operating Expenses – Fuel	Appropriation Expenditure Excess	0 761370417 76137047	-do-
16.	11-Staff Welfare and Amenities	Appropriation Expenditure Excess	575000 1792518 1217518	-do-
Capital (Voted)				
17.	16-Assets- Acquisition, Construction and Replacement-Special Railway Safety Fund	Grant Expenditure Excess	11900015000 13186151856 1286136856	-do-
18.	16-Assets- Acquisition, Construction and Replacement - Capital	Appropriation Expenditure Excess	191766090000 194597159383 2831069383	-do-
Capital (Charged)				
19.	16-Assets- Acquisition, Construction and Replacement - Capital	Appropriation Expenditure Excess	80000000 96345841 16345841	Details are in Report No 8 of 2005 (Railways)
20.	16-Assets- Acquisition, Construction and Replacement – Railways Funds	Appropriation Expenditure Excess	9926000 16944381 7018381	-do-

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Sl. No	Grant/ Appropriation	Rupees	Contributory reasons as stated by Government
21.	16-Assets- Acquisition, Construction and Replacement – OLWR	Appropriation Expenditure Excess	26000 26491 491
			-do-

7.2 The details of excess disbursements as also other details relating to grants of the Railways are mentioned in Report No. 8 of 2005 of the CAG.

Deficient expenditure control by Pay and Accounts Offices

7.3 According to the provisions of Annexure A to note 3 under Rule 66 of GFR, it is an important part of the function of the Accounts Offices to see that no payment is made in excess of the budget allotment under any sub-head or primary unit of appropriation. In cases where the existing provision is not sufficient to cover the payment, Pay and Accounts Office (PAO) can make payment only on receipt of an assurance in writing from the head of the department controlling the grant that necessary funds to accommodate the disbursements will be provided by issue of re-appropriation orders etc. Test check of head-wise appropriation accounts for the year 2003-04 revealed 56 cases of 19 grants and appropriations where the PAOs of the ministries made payments of Rs. 55728.50 crore in excess of the available provisions though the Department did not issue re-appropriation orders adequately to accommodate the final excess expenditure over the available provisions, indicating deficient expenditure control by the PAOs. A few sub-heads under which the excess of Rs. two crore or more occurred are given in **Appendix-VII-A**.

Unspent Provision of Rs. 100 crore or more

7.4 Unspent provisions of more than Rs 100 crore, which need a detailed explanatory note to the Public Accounts Committee, occurred in 46 cases pertaining to 38 grants and one appropriation during 2003-04. Large unspent provisions were in areas like agriculture, fertiliser, food and public distribution, women and child development, petroleum and natural gas, family welfare, surface transport and highways and power. The unspent provisions were attributed by the ministries/departments to some of the schemes failing to take off. **Appendix-VII-B** indicates the details of the unspent provisions.

Surrender of unspent provision

7.5 According to the provisions of GFR 69, unspent provisions in a grant or appropriation are to be surrendered to government as soon as these are foreseen without waiting for the last day of the year. Unspent provision should also not be held in reserve for possible future excess. During 2003-04, under 201 segments of 96 grants/appropriations of civil ministries, there was an

unspent provision of Rs. 29803.84 crore. This was offset by excess under seven segments of six grants and one appropriation resulting in a net excess of Rs.12386.35 crore.

The amounts surrendered are shown in Table 7.3.

Table 7.3: Details of unspent provision and surrender

(Rupees in crore)

	Net unspent provision	Amount surrendered	Amount surrendered on last date	Amount not surrendered
Revenue				
Voted	15962.12	14852.02	7145.23	1110.10
Charged	4739.42	5233.82	5227.64	-
Total: Revenue	20701.54	20085.84	12372.87	-
Capital				
Voted	7265.22	6942.94	2276.46	322.27
Charged	(+ 40353.11)	8994.01	8992.61	-
Total: Capital	(+ 33087.89)	15936.95	11269.07	-
Grand total	(+ 12386.35)	36022.79	23641.94	-

7.6 Under the grants pertaining to Department of Economic Affairs, Interest Payment, Transfer to State and Union Territory Governments, Appropriation-Repayment of Debt, Ministry of Petroleum and Natural Gas, Department of Tourism, Lakshadweep and Defence, the amount surrendered exceeded the unspent provision. **Appendix-VII-C** gives the details.

Re-appropriation of funds

7.7 For disbursements, a grant or appropriation is distributed by sub-heads or standard objects under which it is accounted. The competent executive authorities can approve re-appropriation of funds between primary units of appropriation within a grant or appropriation before the close of the financial year to which such grant or appropriation relates. Re-appropriation of funds should be made only when it is known or anticipated that the appropriation for the unit from which funds are to be transferred will not be utilised in full or that unspent provision can be effected in the unit of appropriation.

7.8 Test check of appropriation accounts with reference to re-appropriation orders for 2003-04 revealed that heavy re-appropriations of funds were made between the different primary units of appropriation defeating the original purpose / activity as authorised by Parliament. A few cases, where heavy re-appropriations of funds took place, were in Agriculture (Rs. 555 crore),

Department of Fertiliser (Rs. 1088 crore), Department of Commerce (Rs. 367 crore), Ministry of Environment and Forest (Rs. 411 crore), Transfers to State and UT Governments (Rs. 4346 crore), Department of Heavy Industries (Rs. 541 crore), Department of Elementary Education and Literacy (Rs. 508 crore), Department of Drinking Water Supply (Rs. 300 crore), Department of Road Transport & Highways (Rs. 337 crore), Department of Rural Development (Rs. 956 crore), and Department of Space (Rs. 342 crore).

Injudicious re-appropriation to sub-heads

7.9 Test check of the accounts revealed that in seven cases relating to six grants/appropriations re-appropriations aggregating Rs. 40.88 crore were injudicious, as the original provision under the sub-heads to which funds were transferred by re-appropriation were more than adequate. A few cases exceeding Rupees two crore are given in **Appendix-VII-D**. Consequently, the final savings under the sub-heads were more than the amount re-appropriated to these sub-heads.

Injudicious re-appropriation from sub-heads

7.10 In six sub-heads of five grants/appropriations as indicated in **Appendix-VII-E**, there were injudicious re-appropriations aggregating to Rs. 148.88 crore wherein the final disbursement under each of these cases was more than the original provision before re-appropriation. In each of them, the excess over the final provision after re-appropriation from these heads was more than the amounts re-appropriated.

Irregular re-appropriation

7.11 The Ministry of Finance had issued instructions that any re-appropriation order issued during the year which had the effect of increasing the budget provision by more than 25 *per cent* or Rupees one crore, whichever was more, under a sub-head, should be reported to Parliament along with the last batch of supplementary demands. In exceptional cases, any order of re-appropriation issued by the ministries/departments after presentation of the last batch of supplementary demands, exceeding the above limit requires prior approval of the Secretary/Additional Secretary, Department of Expenditure.

7.12 Test check of appropriation accounts for 2003-04 revealed that there were 483 sub-heads/cases under 74 grants/appropriations to which re-appropriation in excess of Rupees one crore was made. Out of these, in 263 sub-heads/cases involving 62 grants/appropriations, the re-appropriation exceeded 25 *per cent* of the budget provision; and, were required to be reported to Parliament through the last batch of supplementary demands for grants. Only in 68 cases, such re-appropriations were reported to Parliament.

Re-appropriation without prior approval of Secretary (Expenditure)

7.13 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 re-appropriated is within 25 *per cent* of the provision covered under the limit governing re-appropriation mentioned in the preceding paragraph. In the cases mentioned in Table 7.4 prior approval of Secretary (Expenditure) was not obtained for re-appropriations exceeding Rupees one crore.

Table 7.4: Cases where prior approval of Secretary (Expenditure) was not obtained for re-appropriation

(Rupees in crore)

Sl. No.	No. and name of grant	Major Head	Sub-head		Amount
1.	43 - Indirect Taxes	2037 - Customs	Sea Customs- Major Ports	O: S: R:	125.56 40.25 2.27
2.	-do-	-do-	Directorate of Revenue Intelligence	O: S: R:	23.51 1.00 1.05
3.	-do-	2038 - Union Excise Duties	Inspection	O: S: R:	17.50 9.93 2.60
4.	-do-	-do-	National Academy of Customs, Excise and Narcotics	O: R:	8.25 1.10
5.	-do-	-do-	Directorate General Central Excise Intelligence	O: S: R:	13.75 0.19 1.32
6.	-do-	-do-	Commissionerates (Including Field Offices)	O: S: R:	647.17 32.98 9.76
7.	-do-	4059- Capital Outlay on Public Works	Acquisition of ready built accommodation	O: S: R:	15.00 0.01 1.28
8.	47 - Department of Indian System of Medicine and Homoeopathy	2210 - Medical and Public Health	Grants to Central Council for Research in Homoeopathy	O: S: R:	8.50 0.01 1.23
9.	-do-	-do-	Grants to Central Council for Research in Unani Medicine	O: S:	16.00 1.88
10.	-do-	3601 - Grants-in- aid to State Governments	State Drug Testing Laboratories/Pharmacies	O: S:	3.00 5.70
11.	-do-	-do-	Setting up of ISM wing in district hospitals	O: S:	2.00 2.32

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Sl. No.	No. and name of grant	Major Head	Sub-head		Amount
12.	56 - Department of Elementary Education and Literacy	2202 - General Education	Sarva Shiksha Abhiyan	O: S: R:	1929.58 350.00 431.07
13.	87 - Ministry of Statistics and Programme Implementation	2553 - MPs Local Area Development Scheme	Grant Assistance	O: S: R:	1580.00 100.00 2.00

O = Original Provision S = Supplementary R = Re-appropriation

Utilisation of supplementary grants

7.14 The position of original and supplementary grants obtained under Civil ministries and percentage of supplementary provision to the original provision from 1997-98 onwards is given in **Appendix-VII-F**. Details of supplementary grants (civil) obtained during 2003-04 are given in Table 7.5

Table 7.5: Supplementary grant obtained during 2003-04 in Civil ministries
(Rupees in crore)

Section	Amount
Voted	
Revenue	15888.42
Capital	1862.50
Loans and Advances	1516.62
Charged	
Revenue	4743.53
Capital	4.32
Public Debt	21701.79
Loans and advances	1115.19
Total	46832.37
Number of grants/appropriations	81
Supplementary provision obtained but not utilised	
12 grants (17 cases)	Rs. 2044.46 crore

Unnecessary supplementary grant

7.15 In 17 cases relating to 12 grants as detailed in Table 7.6, while supplementary provisions aggregating to Rs 2044.46 crore were obtained during 2003-04 in anticipation of higher expenditure, the final expenditure was less than even the original grants/appropriations. The entire amount of supplementary provision was unnecessary pointing to deficient budgeting.

Table 7.6: Unspent provision more than supplementary grant/ appropriation

(Rupees in crore)

Sl. No.	Grant/appropriation	Original provision	Supplementary grant obtained	Actual disbursements	Unspent provision
Revenue – Voted					
1.	8-Department of Fertilisers	13455.97	520.99	12395.73	1581.23
2.	12-Department of Commerce	1669.35	205.64	1514.70	360.29
3.	29-Ministry of Environment and Forests	1099.14	30.46	1011.93	117.67
4.	31-Department of Economic Affairs	4381.12	288.88	2586.26	2083.74
5.	35-Transfer to State and Union Territory Government	26184.64	371.00	26140.06	415.58
6.	51-Ministry of Home Affairs	697.30	32.64	680.90	49.04
7.	54-Other expenditure of Ministry of Home Affairs	754.11	20.03	736.25	37.89
8.	76-Ministry of Road Transport and Highways	5611.19	4.28	5466.01	149.46
9.	90-Department of Culture	543.72	6.74	537.97	12.49
10.	103-Department of Youth Affairs and Sports	431.04	55.03	419.56	66.51
Revenue Charged					
11.	12-Department of Commerce	0.20	0.20	0.18	0.22
12.	32-Currency, Coinage and Stamps	2.10	0.16	1.66	0.60
Capital Voted					
13.	29-Ministry of Environment and Forests	25.45	5.01	24.26	6.20
14.	51-Ministry of Home Affairs	20.50	3.05	16.77	6.78
Capital Charged					
15.	35-Transfer to State and Union Territory Government	25196.92	500.00	24746.27	950.65
16.	53-Police	342.35	0.25	27.16	315.44
17.	76-Ministry of Road Transport and Highways	5.30	0.10	4.12	1.28
Total			2044.46		

Unrealistic estimation of expenditure/ revised estimates

7.16 While obtaining supplementary grants, the Ministries/Departments reported to Parliament large amounts of additional requirement for different purposes under the schemes/activities shown in Table 7.7 but they were finally unable to spend not only the entire supplementary grants or parts thereof but

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also the original budget provision in certain cases. The Ministry of Company Affairs (Grant No. 44) attributed (November 2004) the savings to non-progress by newly created body (CCI) due to unforeseen circumstances arising as a result of prolonged judicial intervention. The reply is not tenable as it was irregular on the part of the Ministry to obtain large supplementary grant without anticipating the sequence of events. The Union Public Service Commission (Grant No. 74) attributed (November 2004) the saving to provision of additional funds for unanticipated contingencies so that financial constraints did not inhibit successful conduct of examination. The reply indicates the inability of the Commission to anticipate actual expenditure realistically.

Table 7.7: Statement showing supplementary/additional funds to sub-heads

(Rupees in crore)

Sl. No.	Grant No. & Name	Major Head/ Sub-Head	Original provision	Supplementary provision	Actual disbursement	Unspent provision	Reasons
1.	37-Repayment of Debt	6002.00.221-Loans from Oil Producing & Export Council Special Funds	19.99	56.18	18.62	57.55	Non-materialisation of pre-payment of Loan.
2.	43-Indirect Taxes	2037.00.102.01-Sea Customs – Major Ports	227.53	22.98	214.62	35.89	Non-filling of vacant posts/ delay in finalisation of proposal of revision of rent and hiring of premises.
3.		2037.00.102.05-Directorate of Revenue Intelligence	23.51	1.00	22.95	1.56	Non-finalisation of pending reward cases.
4.		2038.00.001.06-Directorate General Central Excise Intelligence	13.75	0.19	13.45	0.49	do
5.	44-Department of Company Affairs	3475.00.800.56-Competitions Commission of India (CCI)	0.45	6.00	0.52	5.93	Non-filling of vacant Posts.
6.	60-Ministry of Labour	2230.01.102.08-Plan Schemes of Directorate General of Factory Advice Services (DGFASLI)	0.90	0.01	0.37	0.54	Saving was due to vacant posts.

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(Rupees in crore)

Sl. No.	Grant No. & Name	Major Head/ Sub-Head	Original provision	Supplementary provision	Actual disbursement	Unspent provision	Reasons
7.	74-Union Public Service Commission	2051.00.101.02- Expenditure on Examinations and Selections	17.97	0.11	17.60	0.48	Less number of personal talk/Interview Boards and less expenditure on payment to candidates and supervisors.
8.	90-Department of Culture	4202.04.104.01 Buildings	-	1.00	0.03	0.97	Non-compilation of the drawings for construction project.
9.		4202.04.108.01- Buildings	-	1.50	-	1.50	Due to transfer of funds from the Ministry of Urban Development to Ministry of Culture.

Postal Services (Grant No. 14)

7.17 Persistent savings were noticed under Capital Section of grant No. 14 having only one head i.e. 'Mechanisation and Modernisation of Postal Services' for the last three years 2001-02 to 2003-04 as per details in Table 7.8.

Table 7.8 Persistent unspent provision under capital (voted) section

(Rupees in crore)

Year	Budget provision & supplementary	Actual expenditure	Unspent provision	Percentage
2001-02	107.38	51.92	55.46	52
2002-03	128.56	41.54	87.02	68
2003-04	129.18	48.16	81.02	63

7.18 The reasons advanced by the department for savings under the Revenue (voted) and Capital (voted) sections for 2003-04 were as under:

Table 7.9 : Savings in Grant

(Rupees in crore)

Grant No.14	Total grant or appropriation	Actual expenditure	Savings	Contributing reasons as stated by the Department of Posts
Revenue (Voted)	5806.50	5735.88	70.62	- Less achievement of targets for imparting training anticipated under the Plan Segment
				- Lesser submission of bills than anticipated. Expenditure was less than anticipated due to non-receipt of claims.

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Grant No.14	Total grant or appropriation	Actual expenditure	Savings	Contributing reasons as stated by the Department of Posts
				<ul style="list-style-type: none"> - Non-receipt of bills under Machinery and Equipment, Professional Services and economy measures. - Non-finalisation of the procedure of reimbursement of railway claims for 2003-04 and its approval by the competent authority. - Less expenditure under salaries and professional services than anticipated - Non-receipt of claims as per expectations. - Delay in award of work for staff quarters at PTC, Mysore and Vadodara. - Non-starting of new projects due to land dispute. - Non-approval of Ministry of Finance for procurement of MMS vehicle and non-receipt of final bill.
Capital (Voted)	129.18	48.16	81.02	<ul style="list-style-type: none"> - Non-fructifying of payment of advance cheque to DGS&D, belated placing of supply orders for procurement of computers, under utilisation of funds by some circles etc., under "Mechanisation and Modernisation of Postal Services"
Total	5935.68	5784.04	151.64	

Defence Services (Grant Nos. 21, 22, 23, 24 and 26)

7.19 Scrutiny of Appropriation Accounts of Defence Services disclosed a persistent trend of unspent provision during the years 2001-04 under voted segment of five grants as per details in Table 7.10.

Table 7.10: Persistent unspent provision

(Rupees in crore)

Grant No Sub-Major/ Minor Head	2001-02	2002-03	2003-04	Reasons for unspent amount given in Appropriation Accounts
21- Defence Services- Army				
109- Inspection Organisation	6.13	11.48	32.89	Less expenditure on Foreign Travel and proofing due to lesser production at Ordnance Factories.
110-Stores	278.07	62.63	198.30	Non-materialisation of certain supplies, imported Oil/Lubricants, electronic stores and slippages in supplies of ammunition by Ordnance Factories.
800-Other Expenditure	47.60	19.12	11.87	Adoption of economy measures in respect of conservancy charges and telephone bills.
22- Defence Services-Navy				
111-Works	17.64	19.33	20.24	Non-submission of electricity & water bills by Electricity Boards/Municipalities, delay in approval for Dredging in Kochi.
23- Defence Services- Air Force				
110- Stores	130.27	6.75	93.15	Delay in overhauling of Air frames/Aero-engines, delay in supplies of repair stores and non-receipt of items as per delivery schedule.
111- Works	5.71	19.82	23.15	Non-execution of certain works, non-payment of certain supplementary bills and saving in electricity tariff due to energy conservation.
800- Other Expenditure	10.97	7.82	6.94	Adoption of economy measures and reduction in rental and tariff bills of telephone.
24-Defence Ordnance Factories				
110- Stores	40.93	173.20	31.18	Delay in materialisation of payment transactions with the bank, non-receipt of stores and un-expected outstanding recovery from a firm
800- Other Expenditure	14.24	43.51	24.22	Less expenditure on electricity and water/consumables and contingent requirements of factories.
26- Capital Outlay on Defence Services				
05- Research & Development Organisation				
111- Works	16.58	8.45	15.23	Non-materialisation of certain commitments against a special scheme.

7.20 The persistent trend of large unspent provisions in the aforesaid heads of grants is indicative of over-estimation of the requirement of funds by Ministry of Defence.