

## Chapter 8

### REVIEW OF SELECTED GRANTS

#### Grant No. 33 – Payments to Financial Institutions

(Ministry of Finance)

#### Introduction

8.1 Ministry of Finance, Department of Economic Affairs formulates plans, policies and programmes for payments on account of investments, loans and grants-in-aid subsidy to various agricultural, industrial, public sector and other financial undertakings for implementation of social security and welfare schemes.

#### Overall position

8.2 The overall position of budget provisions, actual disbursements and unspent provisions under the voted portion of the grant for the last three years is given below.

Table 8.1: Overall position

(Rupees in crore)

Year	Total provision		Actual disbursement		Unspent provision Excess (+)/Saving(-)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2001-02	1990.97	5183.95	1982.46	5915.31	(-)8.51	(+) 731.36
2002-03	7170.19	2545.46	5946.08	2523.12	(-)1224.11	(-)22.34
2003-04	9918.76	3747.24	8753.12	1320.20	(-)1165.64	(-)2427.04

#### Persistent Unspent Provision

8.3 There were persistent unspent provisions under the revenue and capital sections of the grant for the last three years. However, no steps have been taken by the Ministry to arrest this trend. On the other hand, there was substantial excess expenditure under some sub-heads. A few instances of unspent provisions and excess expenditure during the above three years are given in **Appendix VIII-A & B**.

Such large unspent provisions/excesses indicate the need to review budgetary assumptions and efficiency of the programme management.

#### Excess expenditure over appropriation/re-appropriation

8.4 According to the provisions of Annexure A to note 3 under Rule 66 of GFR, the Accounts Officer has 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.

Test check of head-wise Appropriation Accounts for the year 2001-2004 revealed that in the cases mentioned in table 8.2, the PAO of the Ministry made payments in excess of the available provisions and the department did not issue any re-appropriation orders to accommodate the final excess expenditure over the available provisions. By-passing of the internal control mechanism resulted in poor expenditure control

**Table 8.2: Excess expenditure over appropriation/re-appropriation**  
(Rupees in crore)

Year	Sub- head	Original/Re-appropriated	Actual expenditure	Final excess expenditure
2001-02	4552.00.800.14 Projects/Schemes for the benefit of North Eastern Region & Sikkim	O 7.00 R (-) 5.45	7.00	5.45
2002-03	3475.00.800.30 Industrial Development Bank of India	O 237.98 R (-) 7.09	235.60	4.71
2003-04	3475.00.800.30 Industrial Development Bank of India	S 0.01 R 27.92	28.77	0.84

### Unrealistic budgeting

**8.5** Rule 53 of the General Financial Rules provides that the Ministries/Departments should prepare their estimates keeping in view the trends of disbursements during the previous years and other relevant factors like economy instruction issued by the Ministry of Finance. Scrutiny of the Appropriation Accounts for the period 2001-04 revealed that under the sub-heads shown below, 52 to 100 percent of the provisions remained unutilised and were re-appropriated to other heads defeating the purpose for which the original budget provision were passed by the Parliament.

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**Table 8.3: Unrealistic budgeting**

*(Rupees in crore)*

Sl. No.	Major Head/Sub-head	Total provision	Actual expenditure	Savings	Percentage of savings
<b>2001-02</b>					
<b>Revenue Section</b>					
1.	2885.01.800.01 Grants to Industrial Credit & Investment Corporation of India	62.90	30.08	32.82	52
<b>Capital Section</b>					
2.	4885.01.190.03 Subscription to the Share capital of Industrial Finance Corporation of India	400.00	-----	400.00	100
<b>2002-03</b>					
<b>Revenue Section</b>					
3.	2416.00.800.01 Grants to National Bank for Agricultural & Rural Development (NABARD)	111.55	10.96	100.59	90
4.	2885.01.800.06 Grants to Small Industrial Development Bank of India	54.95	16.90	38.05	69
5.	3052.80.800.01 Subsidy towards Interest differential acquisition of ships by SCICI	0.31	-----	0.31	100
6.	3475.00.111.01 Payment of MOV* Accounts towards exchange loss arising out of Resurgent India Bonds	936.95	273.62	663.33	71
7.	3475.00.800.29 Industrial Credit Investment Corporation of India	34.73	1.55	33.18	96
8.	3475.00.800.55 Exchange loss on India Millennium Deposits	446.44	100.59	345.85	77
<b>Capital Section</b>					
9.	5466.00.202 Subscription to International Development Association	3.75	-----	3.75	100
10.	5466.00.203 Investment in the Asian Development Bank	10.00	1.51	8.49	85
11.	6885.01.190.02 Industrial Credit and Investment Corporation of India	1.00	-----	1.00	100

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Sl. No.	Major Head/Sub-head	Total provision	Actual expenditure	Savings	Percentage of savings
<b>2003-04</b>					
<b>Revenue Section</b>					
12.	2235.60.800.01 Payment to Life Insurance Corporation of India for Community Based Universal Health Insurance Scheme	70.00	-----	70.00	100
13.	3475.00.111.01 Payment of MOV* Accounts towards exchange loss arising out of Resurgent India Bonds	288.57	-----	288.57	100
14.	3475.00.800.29 Industrial Credit Investment Corporation of India	35.64	-----	35.64	100
15.	3475.00.800.55 Exchange loss on India Millennium Deposits	423.90	-----	423.90	100
<b>Capital Section</b>					
16.	4885.01.190.10 Subscription to the Share Capital of Industrial Development Bank of India	772.98	-----	772.98	100
17.	5466.00.201 Subscription to the International Bank for Reconstruction and Development	116.20	-----	116.20	100
18.	6885.01.190.03 Industrial Finance Corporation of India	1573.00	-----	1573.00	100

\* MOV- Maintenance of Value Account

### **Unnecessary Supplementary Grants**

**8.6** While obtaining a supplementary grant, the 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. Resort to supplementary demands should only be made in exceptional and urgent cases.

In the following cases, although supplementary provisions were obtained in anticipation of higher expenditure, no expenditure was incurred. This indicates lack of monitoring and expenditure control.

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**Table 8.4 Unspent Supplementary Grants**

*(Rupees in crore)*

Year	Major Head	Provision	Actual Disbursement	Unspent provision
2001-02	4885.01.190.03 Subscription to the Share Capital of Industrial Finance Corporation of India	S 400.00	--	400.00
		R (-) 400.00		
2002-03	2416.00.800.01 Grants to National Bank for Agricultural & Rural Development (NABARD)	O 100.00	10.96	100.59*
		S 11.55 R (-) 100.60		
	2885.01.800.02 Grants to Industrial Finance Corporation of India	S 18.94	--	18.94
	6885.01.190.02 Industrial Credit and Investment Corporation of India	S 1.00	--	1.00

\* Against the original provision of Rs.100 crore, actual disbursement was Rs.10.96 crore only resulting in supplementary grant remaining unutilised.

### Surrender of unspent provision

8.7 Rule 69 of the General Financial Rules provides that unspent provisions in the 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 provision should also not be held in reserve for any possible future excess. Test check revealed that contrary to the rules, the Ministry every year surrendered unspent provisions towards the end of the financial years. The details of amounts surrendered during 2001-04 are as follows:

**Table 8.5: Surrender of Unspent Provision**

*(Rupees in crore)*

Year	Unspent provision		Amount surrendered		Date of surrender
	Revenue	Capital	Revenue	Capital	
2001-02	8.51	731.36*	4.63	98.83	31.3.2002
2002-03	1224.11	22.34	1208.72	21.99	31.3.2003
2003-04	1165.64	2427.04	1157.25	2427.03	31.3.2004

\* During 2001-02 there was notional net excess expenditure of Rs.731.36 crore under the Capital Section of the grant which was due to transfer of the outstanding balances of National Industrial Credit portfolio from the books of RBI to Government of India. The excess expenditure was purely technical and was on account of interest accrued and premium paid upfront by RBI (book adjustment) which did not entail any cash outgo. Though this amount was booked in the accounts under loans to Industrial and Financial Institutions, supplementary demand was obtained for the principal amount of loan only which resulted in notional excess expenditure.

### Rush of expenditure

8.8 Rush of disbursement, particularly in the closing month of the financial year is to be regarded as a breach of financial regularity and should be avoided.

**Review of Selected Grants**

Contrary to this, large disbursements were made in the month of March. A few instances are given below:

**Table 8.6: Rush of Expenditure**

*(Rupees in crore)*

Year	Major Head	During the year	During March (Percentage)
2001-02	2075 – Miscellaneous General Services	125.00	125.00 (100)
	2552 – North Eastern Areas	1.50	1.50 (100)
	3465 – General Financial and Trading Institutions	300.00	300.00 (100)
	3475 – Other General Economic Services	1403.40	996.25 (71)
	4552 – Capital outlays on North East Areas	7.00	7.00 (100)
	5465 – Investments in General Financial & Trading Institutions	1300.00	1300.00 (100)
	6885 – Other Loans to Industries and Minerals	4443.05	4039.45 (91)
2002-03	2075 – Miscellaneous General Services	125.00	125.00 (100)
	2885 – Other outlays on Industries and Minerals	52.02	48.11 (92)
	3465 – General Financial and Trading Institutions	2449.00	1612.08 (66)
	5465 – Investment in General Financial & Trading Institutions	770.00	770.00 (100)
	6416 – Loans to Agricultural Financial Institutions	100.00	100.00 (100)
	6885 – Other loans to Industries and Minerals	524.84	521.17 (99)
2003-04	2235 – Social Security & Welfare	235.37	205.57 (87)
	2416 – Agricultural Financial Institutions	27.36	9.23 (34)
	3475 – Other General Economic Services	69.81	36.18 (52)
	6416 – Loans to Agricultural Financial Institutions	1.08	1.08 (100)

**Deficient internal audit system**

**8.9** The Internal Audit Wing (IAW) is responsible for conducting internal audit of all the three departments of Ministry of Finance viz. Department of

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Revenue, Department of Expenditure and Department of Economic Affairs. There are 259 units under the jurisdiction of IAW as of 31 March 2004, including 223 units relating to the Department of Economic Affairs to which Grant No. 33 relates. The following table indicates the total number of units planned for audit and units audited during the last three years.

**Table 8.7: Shortfall in audit of units**

Year	Units	
	Planned	Audited
2001-02	153	148
2002-03	187	182
2003-04	136	129

Test check of the Audit Control Registers revealed that the Inspection Reports were issued after three to six months of the completion of audit as under:-

**Table 8.8: Delay in issue of Inspection Reports**

Time gap in issue of Inspection Reports	Number of units		
	2001-02	2002-03	2003-04
Within one month	23 (17)	22 (19)	24 (19)
1 to 2 months	49 (41)	29 (24)	44 (38)
2 to 3 months	32 (27)	36 (36)	18 (13)
3 to 6 months	22 (16)	54 (43)	32 (24)
above 6 months	11 (10)	15 (13)	8 (8)
Total	137 (111)	156 (135)	126 (102)

Figures in brackets refer to Department of Economic Affairs.

Scrutiny of the Inspection Reports of the Department of Economic Affairs revealed that the Internal Audit Wing audited only the transactions generated through the drawing and disbursing offices. Formulation of budget, expenditure control, excess expenditure, unspent provision, monitoring and implementation of schemes etc. were not commented upon in the Inspection Reports which could have served to give timely warning signals on crucial aspects.

**Grant No. 57 Department of Secondary and Higher Education  
(Ministry of Human Resource Development)**

**Introduction**

**8.10** The Department of Secondary and Higher Education is one of the three constituent Departments of Ministry of Human Resource Development. Its main function is to formulate educational policy, to coordinate and determine standards in higher education including research, to expand and develop technical education to improve quality of text books, to administer scholarships and other schemes, to foster and encourage studies and research in Sanskrit and other classical

languages, and to co-ordinate its functions with the programmes of assistance and other activities of UNESCO.

### Overall Position

**8.11** The budget provision, actual disbursements and unspent provision under voted portion of the grants during the last three years are shown below:

**Table 8.9: Overall Position**

*(Rupees in crore)*

Year	Total provision		Actual disbursement		Unspent provision (Percentage)	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2001 – 2002	4414.76	0.02	4292.42	-	122.34 (3)	0.02 (100)
2002 – 2003	4905.23	0.01	4613.96	-	291.27 (6)	0.01 (100)
2003 – 2004	4956.58	0.01	4740.30	-	216.28 (4)	0.01 (100)

### Rush of expenditure during the month of March of the financial year

**8.12** As per rule 69 of General Financial Rules, rush of disbursements, particularly in the closing months of the financial years, is to be regarded as a breach of financial regularity and should be avoided. Contrary to this, disbursements ranging from 24 to 100 percent of the total disbursements were made during the months January – March as per details given below :

**Table 8.10: Rush of Expenditure**

*(Rupees in crore)*

Year	Major Head	Disbursements	
		Total during the year	During March (percentage)
2001-02	2203- Technical Education	1185.46	479.27 (40)
	2204- Sports and Youth Services	0.60	0.21 (35)
	2552- North Eastern Areas	14.26	7.59 (53)
	3601- Grants-in-aid to State Governments	272.58	176.92 (65)
2002-03	2203- Technical Education	1365.55	664.42 (49)
	2204- Sports & Youth Services	0.79	0.64 (81)
	2552- North Eastern Areas	15.00	4.50 (30)



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Year	Major Head	Disbursements	
		Total during the year	During March (percentage)
	3601- Grants-in-aid to State Governments	116.55	32.48 (28)
	3602- Grants-in-aid to Union Territory Governments	0.02	0.02 (100)
2003-04	2203- Technical Education	1371.47	335.65 (24)
	2204- Sports and Youth Services	0.65	0.47 (72)
	2552- North Eastern Areas	21.00	6.00 (29)
	3601- Grants-in-aid to State Governments	129.52	60.71 (47)
	3602- Grants-in-aid to Union Territory Governments	0.81	0.70 (86)

**Non-utilisation of entire funds or re-appropriation thereof**

**8.13** The entire provisions under 29 sub-heads in 2001-2002 under 36 sub-heads in 2002-2003 and under 33 sub-heads in 2003-2004 either remained unutilised or were re-appropriated/surrendered. A few instances of Rupees two crore or more are given in **Appendix-C**. Evidently, provisions were made without adequate pre-budget scrutiny of projects and schemes in violation of the instructions contained in budget circulars issued by the Ministry of Finance each year.

**Persistent saving and unrealistic budgeting**

**8.14** According to Rule 63 of 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 instructions on economy issued by the Ministry of Finance. Scrutiny of the Appropriation Accounts for the years 2001-04 revealed that there were persistent underutilisation of provisions under some heads, which indicated unrealistic budgeting, deficient financial management and slackness in implementing the schemes. In a few schemes in which persistent unspent provision occurred during the last three years are as follows:-

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**Table 8.11: Persistent Unspent Provision**

*(Rupees in crore)*

<b>Name of Scheme</b>	<b>Year</b>	<b>Expenditure</b>	<b>Unspent provision</b>	<b>Contributory reasons stated by the Department</b>
Vocationalisation of Education	2001-02	37.15	5.35	Availability of unspent balances and economy instructions issued by the Ministry of Finance.
	2002-03	11.56	31.44	Adjustment of unspent balances lying with the State Government etc.
	2003-04	7.10	42.65	Non-consideration of new proposals for introduction of new courses, selection of new schools/institutions.
Scheme of Community Polytechnics	2001-02	32.45	20.45	Availability of unspent balances with the Community Polytechnics.
	2002-03	30.94	34.06	Non-submission of utilisation certificate in correct format by some of the Community Polytechnics.
	2003-04	20.63	51.37	Non-finalisation of the scheme by Expenditure Finance Committee and availability of unspent balance lying with the Community Polytechnics.
Grants and Expenditure on National Book Development Council and Book Promotional Activities	2001-02	0.36	0.14	-
	2002-03	0.75	0.60	Scheme of Education Libraries was under formulation stage.
	2003-04	1.10	0.40	-
Scheme for Intellectual Property, Education, Research and Public Outreach	2001-02	0.79	2.01	Sanction of less amount for setting up of three Intellectual Property Right Chairs at University of Chennai, Delhi and National Law School of India University, Bangalore.
	2002-03	1.88	0.64	Receipt of less number of proposals.
	2003-04	2.19	0.61	Receipt of less proposals.
Dr. Zakir Hussain Memorial College Trust, Delhi	2001-02	0.38	0.50	-
	2002-03	0.38	0.47	-
	2003-04	0.40	0.40	-

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Name of Scheme	Year	Expenditure	Unspent provision	Contributory reasons stated by the Department
Free Education for Girls	2001-02	Nil	1.00	Due to non-finalisation of the scheme.
	2002-03	Nil	0.90	-do-
	2003-04	Nil	1.00	-do-

### Unspent provisions under sub-heads

**8.15** Scrutiny of the Appropriation Accounts for the years 2001-04 revealed that there were large unspent provisions under various sub-heads which were indicative of unrealistic budgeting and slackness in implementing the schemes/activities of the department/Ministry (**Appendix-VIII-D**).

### Unrealistic budgeting

**8.16** According to 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 the economy instructions issued by the Ministry of Finance.

Scrutiny of the Appropriation Accounts revealed that under various sub-heads, provisions remained unutilised during the period 2001 -04 and were re-appropriated to other heads defeating the original purpose for which the budget provisions were passed by the Parliament. A few cases are given in **Appendix-VIII-E**.

### Surrender of unspent provision

**8.17** Ministries/Departments are required to surrender the unspent provisions as soon as these are anticipated so that such amounts can be used for other sectors. However, the Department surrendered unspent amounts and that too partially on the last day of the financial year during 2001-04 as indicated below:-

**Table 8.12: Surrender of Unspent Provision**

*(Rupees in crore)*

Year	Unspent provision		Amount surrendered		Date of surrender
	Revenue	Capital	Revenue	Capital	
2001-2002	122.34	0.02	115.14	0.02	31.03.2002
2002-2003	291.27	0.01	283.24	0.01	31.03.2003
2003-2004	216.28	0.01	209.13	0.01	31.03.2004

### Injudicious re-appropriation of funds

**8.18** Re-appropriation of funds to the following sub-heads was injudicious as the original provision under the sub-heads found to be more than adequate.

Consequently, the final savings under the sub-heads were more than the amount re-appropriated to these heads.

**Table 8.13: Injudicious re-appropriation**

*(Rupees in crore)*

Sl. No.	Year	Head	Total Grant	Actual expenditure	Saving
1.	2001-02	2202.02.004.02 Promotion of Science Laboratories	O 0.20	–	0.22
			R 0.02		
2.	2002-03	2202.80.798.04 Deputation and Delegation to UNESCO Conference etc	O 0.10	0.02	0.11
			R 0.03		
3.	2002-03	2202.80.001.09 Educational Institutions Abroad	O 3.38	3.33	0.26
			R 0.21		
4.	2003 -04	2203.00.112.35 Indian Institute of Information Technology, Design and Manufacturing at Kanchipuram	S --	–	0.50
			R 0.50		
5.	2003-04	2203.00.112.36 Indian Institute of Information Technology, Jabalpur	S --	–	0.50
			R 0.50		

### Excess expenditure over appropriation/re-appropriation

**8.19** According to Annex ‘A’ to Note 3 under Rule 66 of General Financial Rules, it is an important part of the function of the Accounts officer to see that no payment is made in excess of the budget allotment under any sub-head of primary unit of appropriation. In cases, where the existing provision is not sufficient to cover the payment, the 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 disbursement will be provided by issue of re-appropriation orders, etc. Test check of head-wise appropriation accounts for the years 2001-2004 revealed that in the following cases the PAO of the Ministry made payments in excess of the available provisions though the department did not issue any re-appropriation orders to accommodate the final excess expenditure over the available provisions. Non-exercising internal control mechanism resulted in poor expenditure control.

**Table 8.14: Excess expenditure over appropriation/re-appropriation**

*(Rupees in crore)*

Year	Sub – Head	Provisions original/ re-appropriation	Actual expenditure	Final excess expenditure
2001-02	2202.80.798.04 Deputation and Delegation to UNESCO Conference etc.	O 0.16 R (–) 0.08	0.14	0.06

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Year	Sub – Head	Provisions original/ re-appropriation	Actual expenditure	Final excess expenditure
2002-03	2202.80.004.01 Indian Council of Social Science Research	O 39.75 R (-)4.69	35.15	0.09
	2202.80.107.05 National Scholarship Scheme for Union Territories without Legislature	O 0.05 R 0.04	0.02	0.01
	2202.80.107.12 Indian Scholars going abroad against scholarships offered by Foreign Government Organisations	O 0.80 R (-) 0.35	0.46	0.01
2003-04	2202.80.798.04 Deputation and Delegation to UNESCO Conference etc	O 0.40 R (-) 0.06	0.37	0.03
	2203.00.800.01 Asian Institutes of Technology, Bangkok	O 0.25 R 0.08	0.20	0.03

**Injudicious release of Plan grant to IIT, Guwahati resulting in unspent balance of Rs. 45.84 crore**

**8.20** Rs. 60 crore was released to IIT, Guwahati as Plan grant for the year 2003-04 in three instalments of Rs. 5.00 crore, Rs. 15.00 crore and Rs. 40.00 crore. Additionally, the Institution also had Rs. 37.07 crore as unspent balance of the previous year. At the end of the financial year 2003-04, the Institution had unutilised balance of Rs. 45.85 crore. The Plan grant released, in first and second instalments (Rs. 5.00 crore + Rs. 15.00 crore) and previous years unspent balance (Rs. 37.07 crore) totalled Rs. 57.07 crore which was sufficient for meeting the expenditure of Rs. 51.23 crore for the entire year. This clearly indicates that the release of third instalment of Rs. 40.00 crore was injudicious and resulted in blocking of funds. This aspect should have been taken into account while budgeting and the trend of large unspent balances should have been arrested.

### Utilisation certificates

**8.21** As per Rule 150 of General Financial Rules, the certificates of utilisation of grants are required to be submitted by the sanctioning authority to the Controller of Accounts. The purpose of furnishing the certificates is to ensure that the grants had been utilised properly and for the purpose for which they were sanctioned and where the grants were released with certain conditions, the prescribed conditions had been fulfilled.

Scrutiny of records pertaining to utilisation certificates for the grants released during 2000-01 and 2002-03 by the Department of Secondary and Higher Education revealed that 1878 utilisation certificates pertaining to Rs. 3842.45 crore were outstanding as of October 2004, as detailed below:

**Table 8.15 : Awaited Utilisation Certificates**

*(Rupees in crore)*

Name of the Department sanctioning Grants-in-aid	Period/Year of sanction of grant	Due		Received		Outstanding	
		UCs	Amount	UCs	Amount	UCs	Amount
Department of Secondary and Higher Education	2000-01	1701	3733.86	1379	3677.68	322	56.18
	2001-02	1755	3943.31	1075	2318.89	680	1624.42
	2002-03	882	2172.46	6	10.62	876	2161.85
	<b>Total</b>	<b>4338</b>	<b>9849.63</b>	<b>2460</b>	<b>6007.19</b>	<b>1878</b>	<b>3842.45</b>

In the absence of utilisation certificates, it could not be ascertained if the grants were actually utilised for the purpose for which they were sanctioned.

### Internal Audit

**8.22** The Internal Audit wing of the Ministry of Human Resource Development functions under the administrative control of the Chief Controller of Accounts of the Ministry and is responsible for conducting internal audit of the units under this Ministry which inter-alia includes, Department of Education, Department of Culture, Department of Youth Affairs and Sports, Department of Women & Child Development, Ministry of Social Justice & Empowerment and attached subordinate offices/Autonomous Bodies under these Departments. Currently there are 189 units under the jurisdiction of Internal Audit wing including 27 units pertaining to the Department of Elementary Education and Literacy. Only 10 units had been inspected by this wing during 2001-04 as shown below:-

**Table 8.16: Functioning of Internal Audit**

Year	Total no. of units		Units actually inspected		Percentage of units inspected
	Regular audit	Special audit	Regular audit	Special audit	
2001-02	27	8	2	8	7.4
2002-03	27	12	3	12	11.11
2003-04	27	2	5	2	18.5

Note: Special audit includes the number of NGO's/PSU's/Autonomous Bodies which were audited on special request of the Ministry.

Thus, the position of internal audit of the Department of Education was not satisfactory with only 7.4 percent to 18.5 percent of the units being audited annually. Keeping in view the large amount of funds handled by the Department and its range of activities, there is an urgent need to establish/make the internal audit system effective for keeping a watch over the quantum, flow, regularity, propriety and economy of expenditure.

#### **Grant No. 64- Ministry of Non-conventional Energy Sources**

##### **Introduction:**

**8.23** The Ministry of Non-conventional Energy Sources supports the implementation of a broad spectrum of programmes covering the entire range of new and renewable energies.

##### **Overall position**

**8.24** The overall position of budget provisions, actual disbursements and unspent provisions under the voted portion of the grant for last three years is given in Table 8.17.

**Table 8.17 : Overall position**

*(Rupees in crore)*

Year	Total Provision		Actual disbursement		Unspent provision	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2001-02	420.13	195.86	307.51	195.85	112.62	0.01
2002-03	499.49	130.05	298.31	130.02	201.18	0.03
2003-04	505.13	125.04	299.29	82.04	205.84	43.00

##### **Persistent Unspent Provision**

**8.25** There were persistent unspent provisions exceeding Rs 100.00 crore under Revenue Section during the last three years. The unspent provision increased from Rs 112.63 crore during 2001-02 to Rs 248.84 crore in 2003-04. Such large unspent provisions were pointed out in the Reports of the Comptroller and Auditor

General of India during earlier years also. However, no steps have been taken by the Ministry to arrest the trend.

### Rush of expenditure

**8.26** As per note 3 below Rule 69 of General Financial Rules, rush of expenditure particularly in the closing months of the financial year shall be regarded as a breach of financial regularity and should be avoided. Contrary to this, large disbursements were made in the last quarter of the financial year. A few instances are given below:

**Table 8. 18: Rush of expenditure during last quarter**

*(Rupees in crore)*

Year	Major Head	Disbursement		
		During the year	During last quarter	Percentage of expenditure during last quarter
2001-02	2501- Special Programmes for Rural Development	0.33	0.28	85
	2810- Non-conventional Sources of Energy	267.95	167.49	63
	3601- Grants-in-aid to State Governments	23.40	12.02	51
	4810- Capital outlay on Non-conventional Sources of Energy	27.15	13.53	50
2002-03	2501- Special Programmes for Rural Development	0.14	0.14	100
	2552- North Eastern Areas	45.52	36.50	80
	2810- Non-conventional Sources of Energy	223.66	155.22	69
	3601- Grants-in-aid to State Governments	14.14	13.68	97
	3602- Grants-in-aid to Union Territory Governments	5.14	3.97	77
	4810- Capital outlay on Non-conventional Sources of Energy	35.02	17.50	50
	6810- Loans for Non-conventional Sources of Energy	95.00	65.00	68
2003-04	2810- Non-conventional Sources of Energy	265.51	184.97	70
	3601- Grants-in-aid to State Governments	20.83	14.26	68
	3602- Grants-in-aid to Union Territory Governments	2.04	1.76	86.
	4810- Capital Outlay on Non-conventional Sources of Energy	40.04	20.00	50
	6810- Loans for Non-conventional Sources of Energy	42.00	42.00	100



### Surrender of unspent provision

**8.27** Rule 69 of the General Financial Rules provides that unspent provision 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 provision should not be held in reserve for any possible future excess. Test check revealed that contrary to this rule, the Ministry every year surrendered unspent provisions towards the end of the financial years. The details of amounts surrendered during 2001-04 are given below:

**Table 8. 19: Surrender of unspent provision (voted)**  
*(Rupees in crore)*

Year	Unspent Provision		Amount Surrendered		
	Revenue	Capital	Revenue (Percentage)	Capital (Percentage)	Date of surrender
2001-02	112.62	0.01	104.05 (92)	-	31.3.2002
2002-03	201.18	0.03	186.90 (93)	-	31.3.2003
2003-04	205.84	43.00	194.61 (95)	43 (100)	31.3.2004

### Excess expenditure over appropriation/re-appropriation

**8.28** According to provisions of Annexure A to Note 3 below Rule 66 of General Financial Rules, it is an important part of the function of the Accounts Officer 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 Officer (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 that in the following cases the PAO of the Ministry made payments in excess of the available provisions though the department did not issue any re-appropriation orders to accommodate the final excess expenditure over the available provisions. Non-enforcement of this internal control mechanism resulted in poor expenditure control. A few instance are given below:

**Table 8.20 : Excess expenditure over appropriation/re-appropriation**  
(Rupees in crore)

Year	Sub-Head	Provision		
		Original/Re-appropriated	Actual expenditure	Final excess expenditure
2003-04	2810.01.103.04- National Bio-Energy Board	O 0.50 R (-)0.16	2.54	2.20
	2810.02.102.02- Demonstration and Technology	O 36.00 R (-)0.48	36.36	0.84
	2810.60.800.12- State Nodal Agencies	O 0.50 R 0.43	0.96	0.03

### Injudicious re-appropriation of funds

**8.29** According to Rule 72(2) of the General Financial Rules, re-appropriation of funds shall be made only when it is known that transferred funds will not be utilised in full or that savings can be effected in the appropriation for the said unit. Test-check of head-wise appropriation accounts for the year 2003-04 revealed that re-appropriation to the following sub-heads was injudicious as the original provision under the sub-heads from which the funds were transferred by re-appropriation was not adequate. Consequently, the final excess under the sub-heads were more than the amount re-appropriated from these heads. Few instances are given below:

**Table 8.21: Injudicious re-appropriation**  
(Rupees in crore)

Year	Sub-Head	Original(O) Re-appropriation (R)	Actual Expenditure	Excess
2003-04	2810.01.103.04- National Bio-Energy Board	O 0.50 R (-) 0.16	2.54	2.20
-do-	2810.02.102.02- Demonstration and Technology	O 36.00 R (-) 0.48	36.36	0.84

### Unrealistic Budgeting

**8.30** Rule 53 of the General Financial Rules provides that the ministries/ departments should prepare their estimates keeping in view the trends of disbursements during the previous years and the economy instructions issued by the Ministry of Finance from time to time. Scrutiny of head-wise Appropriation Accounts for the years 2001-2004 revealed that under the following sub-heads the entire provision remained unutilised.

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**Table 8.22: Unrealistic budgeting**

*(Rupees in crore)*

Year	Sub-Head	Original Provision	Unspent provision
2001-02	2810.02.102.04- Solar Thermal Power Generation	20.00	20.00
	2810.02.102.09- GEF grant for ISCC Project	92.00	92.00
	2810.03.004.01- Assistance to Wind Power Generation Programme	0.25	0.25
2002-03	2810.02.102.09- GEF grant for ISCC Project	50.00	50.00
	2810.03.004.01- Assistance to Wind Power Generation Programme	0.75	0.75
	2810.60.800.19- Technology Commercialisation Fund	3.00	3.00
	2810.60.800.22- National Project on Clean Energy Service for Rural Areas	0.92	0.92
	3601.03.218.01- Small Hydro Power Programme	2.00	2.00
	3601.04.220.01- National Project on Clean Energy services for rural areas	0.40	0.40
2003-04	2810.02.102.04-Solar Thermal Power Generation	5.00	5.00
	2810.02.102.09-GEF grant for ISCC Project	90.00	90.00
	2810.60.600.07-Geo-Thermal Energy	2.00	2.00
	2810.60.600.08- Ocean Energy	3.00	3.00

### Persistent unspent provision

**8.31** Persistent savings in the grant as shown in the table are indicative of deficient budgeting or shortfall in performance.

**Table 8.23: Persistent unspent provision**

*(Rupees in crore)*

Sl. No	Sub-Head	2001-02		2002-03		2003-04	
		Provision	Unspent provision (percentage)	Provision	Unspent provision (Percentage)	Provision	Unspent provision (Percentage)
1.	2810.02.102.04- Solar Thermal Power Generation	20.00	20.00 (100)	10.00	9.98 (100)	5.00	5.00 (100)
2.	2810.02.102.09- GEF grant for ISCC Project	92.00	92.00 (100)	50.00	50.00 (100)	90.00	90.00 (100)
3.	2810.03.004.01- Assistance to Wind Power Generation Programme	0.25	0.25 (100)	0.75	0.75 (100)	0.50	0.25 (50)
4.	2810.60.600.07- Geo Thermal Energy	1.50	1.34 (89)	2.00	1.30 (65)	2.00	2.00 (100)
5.	2810.60.600.08- Ocean Energy	0.50	0.48 (96)	4.00	3.90 (98)	3.00	3.00 (100)
6.	2810.60.798.04- Marketing Development and Export Promotion Assistance	1.00	0.99 (99)	1.50	1.49 (99)	0.25	0.25 (100)
7.	3601.04.216.01- Solar Thermal Energy Programme	0.05	0.05 (100)	0.03	0.03 (100)	0.03	0.03 (100)
8.	3602.04.215.01- Solar Thermal Energy Programme	0.05	0.05 (100)	0.02	0.02 (100)	0.02	0.02 (100)

### Deficient internal audit system

**8.32** Pay and Accounts Office of the Ministry of Non-conventional Energy Sources is not conducting the internal audit of the Ministry. The formulation of budget appropriation and re-appropriation of funds etc. was not thus examined by internal audit which resulted in a large number of persistent irregularities.

## Grant No. 98 - Department of Urban Development

(Ministry of Urban Development and Poverty Alleviation)

### Introduction

8.33 The Ministry of Urban Development and Poverty Alleviation comprises two Departments namely (i) Department of Urban Development and (ii) Department of Urban Employment & Poverty Alleviation.

The Department of Urban Development is entrusted with the formulation of broad policy and monitoring of programmes in the areas of urban development, urban water supply and sanitation, besides planning and coordination of urban transport matters. The Department is also responsible for construction and maintenance of Central Government buildings, including residential accommodation.

### Overall position

8.34 The overall position of budget provisions, actual disbursements and unspent provisions under the voted and charged portion of the grant for the last three years is as under:-

**Table 8.24: Overall position**

*(Rupees in crore)*

Year	Total provision		Actual disbursement		Unspent Provision/Excess expenditure	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2001-02	661.40	1359.29	623.91	1361.90	(-) 37.49	(+) 2.61
2002-03	785.80	1886.28	691.88	1829.22	(-) 93.92	(-) 57.06
2003-04	795.60	2241.48	775.60	2126.10	(-) 20.00	(-) 115.38

There were persistent unspent provisions under both revenue and capital sections of the grant for the past three years. Audit examination revealed that on several activities expenditure could not be incurred as estimated. This suggests not only poor budgeting but also shortfall in performance and deficiencies in implementation of various schemes

Necessary steps need to be taken to make the budgetary exercise more realistic minimising large scale variations between the estimates and actuals with a view to gainfully utilise the scarce resources for meeting the urgent demands of other sectors.

A few sub-heads under which the entire provisions remained unutilised and also exceeded Rupees two crore during the years 2001-2004 are given in **Appendix VIII-F**.

### Persistent savings

**8.35** According to Rule 63 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. Scrutiny of the Appropriation Accounts for the period 2001-04 revealed that there was persistent under-utilisation of provisions under some heads whereas under other heads there was excess expenditure during these years, which indicated unrealistic budgeting, deficient financial management and slackness in implementing the schemes. Details of some sub-heads are given below:

**Table 8.25: Persistent unspent provision during the last three years**  
(Rupees in crore)

Sl. No.	Sub-head	2001-02	2002-03	2003-04
1.	2215.02.191.03- Pilot Project on Solid Waste Disposal near Airport in selected Cities	5.00 *(100)	5.00 (100)	4.01 (80)
2.	2552.00.800.14- North Eastern Areas – provision for the Projects/ Schemes for the benefit of North Eastern Region and Sikkim	37.67 (91)	--	--
3.	4216.01.700.11- Capital Outlay on Housing – Medical and Public Health	--	7.66 (87)	5.58 (65)
4.	4216.01.700.34- Employment	--	4.51 (81)	4.00 (67)

\* (Percentage)

### Schemes affected by unspent provision

**8.36** Some of the important schemes affected by provisions remaining unspent are discussed in the succeeding paras.

#### (i) Pilot Project on Solid Waste Disposal near Airport in selected Cities

Bird hits are among the major causes of air crashes in our country leading to the loss of defence aircraft and invaluable lives. An inter-ministerial Joint Sub-Committee constituted by the Ministry of Defence recommended providing of proper sanitation facilities, including solid waste management and drainage to overcome the bird menace in the selected 10 airfields of Indian Air Force. The budget provision, actual disbursement and unspent provision during 2001-04 for the above scheme were as under:

**Table 8.26: Unspent provision**

*(Rupees in crore)*

Year	Sanctioned Provision	Actual Disbursement	Unspent Provision
2001-02	5.00	Nil	5.00
2002-03	5.00	Nil	5.00
2003-04	5.00	0.99	4.01

The Ministry attributed the unspent provisions to non-receipt of approval, feasibility report, ceiling imposed and less requirement of funds. This was indicative of provisions being made without taking into consideration factors like stages of finalisation of schemes, time required in obtaining sanction from competent authorities and other problems in implementation of scheme etc.

**(ii) Low Cost Sanitation Scheme for Liberation of Scavengers**

The centrally sponsored scheme of Urban Low Cost Sanitation for Liberation of the Scavengers started from 1980-81 initially through the Ministry of Home Affairs and later on through the Ministry of Social Justice and Empowerment. From 1989-90, it came to be operated through the Ministry of Urban Development and Poverty Alleviation. The main objective of the scheme was to convert the existing dry latrines into low cost pour flush latrines and to provide alternative employment to the liberated scavengers. Analysis of the budget provision and actual disbursement revealed that increasingly large proportions of the allocations remained unspent during 2001-03 as detailed below:

**Table 8.27 : Unspent provision**

*(Rupees in crore)*

Year	Sanctioned Provision	Actual Disbursement	Unspent Provision (Percentage)
2001-02	39.80	10.00	29.80 (75)
2002-03	29.80	4.80	25.00 (84)

Utilisation of only 16 to 25 *per cent* the targeted outlay of the scheme indicated lax implementation leading to non-achievement of the aims and objectives of this scheme.

**Excess expenditure over appropriation/ re-appropriation**

**8.37** In accordance with the provisions contained in Annexure-A to Note 3 under Rule 66 of General Financial Rules, it is an important function of the Accounts Offices to ensure 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 department controlling the grant that necessary funds to accommodate the disbursement would be provided by issue of re appropriation orders etc. Test check of head-wise appropriation accounts during the years 2001-04 disclosed that in the following cases the PAO had made payments in excess of sanctioned provision though the department did not issue any reappropriation order to accommodate the final excess expenditure over the sanctioned provision, indicating ineffective expenditure control by the PAO.

**Table 8.28: Excess Expenditure over appropriation/re-appropriation**

*(Rupees in lakh)*

Sl. No.	Major Head and Sub-head	Original (O) Supplementary (S) Re-appropriation (R)	Actual Expenditure	Excess (+)
<b>2002-03</b>				
1.	4216.01.700.32- Capital Outlay on Housing-Survey of India	O     100.00 S     1.00 R    (-) 63.00	60.54	22.54
<b>2003-04</b>				
1.	2215.01.004.01- Pilot Project for feasibility Study and evaluation system	O     25.00 R    (-) 20.50	7.50	3.00
2.	2216.01.700.02- Construction	O     25.00 R    (-) 17.50	10.21	2.71

### Surrender of unspent provision

**8.38** Surrender is a budgetary device by which the portion of grant or appropriation not utilised by the spending department is communicated to the Ministry of Finance and accepted by the latter, for being reallocated to any other sector. Rule 69 of the 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 provision should also not be held in reserve for any possible future excess. Test check revealed that contrary to the rule, the Ministry surrendered unspent provisions every year towards the end of the financial year despite approval of the Revised Estimates in the month of January. The details of amounts surrendered during 2001-04 are given in the following Table.



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**Table 8.29 : Surrender of unspent provision**  
(Rupees in crore)

Year	Date of approval of Revised Estimates	Date of surrender	Amount surrendered
2001-02	9.1.2002	31.3.2002	44.90
2002-03	Not given	31.3.2003	117.18
2003-04	31.12.2003	31.3.2004	105.98
		31.3.2004	1.37
		31.3.2004	0.94

### Unrealistic Budgeting

**8.39** Rule 53 of the General Financial Rules provides that Ministries/ Departments should prepare their estimates keeping in view the trends of disbursements during the previous years and other relevant factors like the economy instructions issued by the Ministry of Finance etc. Scrutiny of the Appropriation Accounts for 2001-04 revealed that under the following sub-heads the entire provision remained unutilised which was re-appropriated to other heads.

**Table 8.30: Unrealistic budgeting**  
(Rupees in crore)

Sl. No.	Sub-head	Total Provision/ Re-appropriation	Reasons advanced by the Ministry
<b>2001-02</b>			
1.	2215.02.191.03- Pilot Project on Solid Waste Disposal near Airport in Selected Cities	5.00	Non-receipt of approval from Expenditure Finance Committee and Cabinet Committee on Economic Affairs
2.	2217.05.800.11- Rejuvenation of culturally significant cities	1.00	Non-requirement of funds
3.	4216.01.700.33- Capital Outlay on Housing-Non Conventional Energy Sources	0.50	Reasons not given.
4.	7601.04.312.01- Loans and advances for implementation of Integrated Development of Small & Medium Town Scheme	1.00	Non-receipt of proposal for grant of loan from the ongoing towns

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Sl. No.	Sub-head	Total Provision/ Re-appropriation	Reasons advanced by the Ministry
<b>2002-03</b>			
5.	2215.01.800.01- Water Supply and Sanitation- Monitoring and Management Information System	0.50	Reasons not given
6.	2215.02.191.03- Pilot Project on Solid Waste Disposal near Airport in Selected Cities	5.00	Ceilings imposed by M/o Finance and Company Affairs at RE stage and less requirement of funds
7.	2217.05.800.11- Rejuvenation of Culturally Significant cities	1.00	-do-
8.	2217.05.800.12- Urban Information System	0.50	-do-
9.	2217.05.800.13- Pooled Finance Development Fund	0.50	-do-
10.	2217.05.800.14- City Challenge Fund	0.50	-do-
11.	2552.00.800.14- Provision for the projects schemes for the benefit of North Eastern Region and Sikkim	1.00	Non-receipt of proposal from State Governments
12.	4216.01.700.33- Capital Outlay on Housing-Non Conventional Energy Sources	0.50	-do-
13.	7601.04.312.01- Loans and advance for implementation of Integrated Development of Small and Medium Town Scheme	1.00	Ceilings imposed by M/o Finance and Company Affairs at RE stage.
<b>2003-04</b>			
14.	2217.05.800.13- Urban Development-Pooled Finance Development Fund	0.50	Reasons not given
15.	2217.05.800.14- City Challenge Fund	0.50	-do-
16.	2552.00.800.14- Provision for the project for the benefit of North Eastern Region and Sikkim	1.00	Non-requirement of funds
17.	7601.04.312.01- Loans and advance for implementation of Integrated Development of Small and Medium Town Scheme	1.00	For meeting the requirement in the revenue section of the grant.

### Unnecessary supplementary grant

**8.40** In some cases supplementary provisions had been obtained in anticipation of higher expenditure, but the final expenditure was less than even the original provision. The entire amount of supplementary provision was, thus, unnecessary. A few such cases are shown below:

**Table 8.31: Unspent provision more than supplementary provision**

*(Rupees in lakh)*

Sl. No.	Head/Sub-head	Original Provision	Supplementary Provision	Actual Disbursement	Unspent Provision
<b>2001-02</b>					
1.	2052.00.090.28: Secretariat General Service-Secretariat-Urban Development	1583.00	1.00	1537.07	46.93
2.	Total Major Head '4216' : Capital Outlay on Housing (Charged)	417.00	60.00	365.72	111.28
<b>2002-03</b>					
3.	4216.01.106.03: Urban Development - Construction	8900.00	1.00	8651.35	249.65
4.	4216.01.700.32 Survey of India	100.00	1.00	60.54	40.46
<b>2003-04</b>					
5	4216.01.106.03: Urban Development-Construction	9200.00	2.00	8467.98	734.02

The unnecessary supplementary grant resulting in savings of Rs. 734.02 lakh at (Sl. no. 5) was attributed by the Department to less requirement of funds and slow progress of work. The reply is not tenable as the requirement of funds should have been assessed realistically considering the progress of work at the time of obtaining supplementary grant.

### Injudicious re-appropriation of funds

**8.41** Re-appropriation of funds to the following sub-heads was injudicious as the original provision under the sub-heads was more than adequate. Consequently, the final savings under the sub-heads were more than the amount re-appropriated to these heads.

**Table 8.32: Injudicious re-appropriation of funds**

*(Rupees in lakh)*

Subheads		Provision		Actual Expenditure	Saving
<b>2001-02</b>					
2216.01.700.05	Housing: Govt. Residential Buildings:	O	18.00	17.60	0.90
	Other Housing: Machinery and Equipment (Charged)	R	0.50		
<b>2002-03</b>					
4216.01.700.07	Capital Outlay on Housing: Govt. Residential Buildings:	O	200.00	197.54	162.46
	Other Housing: Home Affairs	R	160.00		

### Rush of expenditure

**8.42** Rush of disbursements, particularly in the closing month of the financial year, is to be regarded as a breach of financial regularity and should be avoided. Contrary to this, expenditure incurred during the month of March in past three years under the major heads as shown in table below ranged between 28 per cent and 100 per cent of the total expenditure.

**Table 8.33: Rush of expenditure**

*(Rupees in crore)*

Major Head			Total Expenditure	Expenditure in March (Percentage)
<b>2001-02</b>				
1.	2217	Urban Development	16.16	6.92 (43)
2.	2552	North Eastern Areas	3.58	3.58 (100)
3.	3601	Grants-in-aid to State Governments	191.71	73.25 (38)
4.	4216	Capital Outlay on Housing	193.77	66.84 (34)
5.	4552	Capital Outlay on North Eastern Areas	78.91	39.54 (50)
<b>2002-03</b>				
1.	2215	Water Supply and Sanitation	127.81	52.69 (41)

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Major Head			Total Expenditure	Expenditure in March (Percentage)
2.	2217	Urban Development	13.45	5.77 (43)
3.	4216	Capital Outlay on Housing	151.21	50.69 (34)
<b>2003-04</b>				
1.	3601	Grants-in-aid to State Governments	304.38	122.36 (40)
2.	4216	Capital outlay on Housing	144.87	41.90 (29)