

## Chapter 7

### APPROPRIATION ACCOUNTS 2005-06: 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**7.1** Article 114(3) of the Constitution provides that no money be withdrawn from the Consolidated Fund of India (CFI) except under appropriations made by law passed in accordance with the provisions of this Article.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 Rules (GFR) 52(3) 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 2005-06, there was an excess disbursement of Rs. 970626944827 (i.e. Rs. 97062.69 crore) in eight segments of eight grants/appropriations in Civil ministries, Rs. 22961261165 (Rs. 2296.13 crore) under 15 segments of 11 grants/appropriations of Railways, Rs. 448398109 (Rs. 44.84 crore) in 2 segments of 2 grants in Defence and Rs. 976456000 (Rs. 97.65 crore) in 1 segment of 1 grant in Postal Services. 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	Posts
<i>Voted</i>	Revenue	1882961634	1325468639	427563997	976456000
	Capital	2834562	21585164145	20834112	-
<i>Charged</i>	Revenue	33448906410	24278381	-	-
	Capital	935292242221	26350000	-	-
No of Grants/ Appropriations		8	11	2	1
<b>Total Excess</b>		970626944827	22961261165	448398109	976456000

**Table 7.2: Details of excess disbursement over grants/appropriations**

Sl. No	Grant/ Appropriation	Rupees	Contributory reasons as stated by the ministries/departments
<b>Civil:</b>			
<b>Revenue (Charged)</b>			
1.	11-Ministry of Mines	Grant Expenditure Excess	Due to meeting of a legal commitment, which had arisen at the end of the year.
		1000000 1153227 153227	

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Sl. No	Grant/ Appropriation	Rupees	Contributory reasons as stated by the ministries/departments	
2.	33- Currency, Coinage and Stamps	Grant	5500000	Payment arising out of a pending court litigation.
		Expenditure	24026011	
		Excess	18526011	
3.	35-Appropriation - Interest Payments	Grant	1380318600000	Coupon payment following selection of marketable securities for borrowing through re-issue mechanism and discounts paid, payment of interest owing to higher subscription under non-competitive bids, more issue of treasury bills etc.
		Expenditure	1413748827172	
		Excess	33430227172	
<b>Capital (Charged)</b>				
4.	38-Appropriation - Repayment of Debt	Appropriation	10216808400000	More redemption of treasury bills than anticipated.
		Expenditure	11152100642221	
		Excess	935292242221	
<b>Revenue (Voted)</b>				
5.	8-Department of Fertilisers	Grant	192481100000	Payment of more medical claims, increase in dearness allowance, renovation of office building, payment of pending claims of subsidy on imported fertilizers etc.
		Expenditure	194155504796	
		Excess	1674404796	
6.	61-Ministry of Labour and Employment	Grant	13839400000	Enhancement of provision owing to more collection of cess on account of revision of rates on manufacture of beedi.
		Expenditure	14012098810	
		Excess	172698810	
7.	99-Lakshadweep	Grant	2340900000	Payment to DGS&D for procurement of oil and additional funds required for Lakshadweep Harbour works.
		Expenditure	2376758028	
		Excess	35858028	
<b>Capital (Voted)</b>				
8	96 - Chandigarh	Appropriation	1518300000	Completion/upgradation of ongoing construction works.
		Expenditure	1521134562	
		Excess	2834562	
<b>Defence:</b>				
<b>Revenue (Voted)</b>				
9.	25-Defence Services - Air Force	Grant	93490800000	Rush of booking by CGDA and finalization/payment of contractual commitments towards the end of the year
		Expenditure	93918363997	
		Excess	427563997	

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Sl. No	Grant/ Appropriation	Rupees	Contributory reasons as stated by the ministries/departments
<b>Revenue (Charged)</b>			
10.	23-Defence Services - Army	Appropriation Expenditure Excess	143300000 164134112 20834112
			Finalisation of higher number of court cases than anticipated.
<b>Railways:</b>			
<b>Revenue (Voted)</b>			
11.	04-Repairs & Maintenance of Permanent Way	Grant Expenditure Excess	36404867000 36506503633 101636633
			Details are in Report No. 6 of 2007 (Railways)
12.	06-Repairs & Maintenance of Carriages & Wagons	Grant Expenditure Excess	39213052000 39483114503 270062503
			do
13.	10-Operating Expenses - Fuel	Grant Expenditure Excess	101884343000 102838112503 953769503
			do
<b>Revenue (Charged)</b>			
14.	03-General Suptd. & Services	Appropriation Expenditure Excess	699000 709850 10850
			do
15.	04-Repairs & Maintenance of Permanent Way	Appropriation Expenditure Excess	13157000 17770542 4613542
			do
16.	05-Repairs & Maintenance of Motive Power	Appropriation Expenditure Excess	90000 295171 205171
			do
17.	06-Repairs & Maintenance of Carriages & Wagons	Appropriation Expenditure Excess	73000 77518 4518
			do
18.	07-Repairs & Maintenance of Plant and Equipment	Appropriation Expenditure Excess	495000 640184 145184
			do
19.	08-Operating Expenses-Rolling Stock & Equipment	Appropriation Expenditure Excess	600000 1259312 659312
			do
20.	09-Operating Expenses-Traffic	Appropriation Expenditure Excess	2608000 3124678 516678
			do
21.	10-Operating Expenses-Fuel	Appropriation Expenditure Excess	5000000 21100000 16100000
			do
22.	11-Staff Welfare & Amenities	Appropriation Expenditure Excess	2252000 3968156 1716156
			do
23.	13-Provident Fund, Pension and Other retirement benefits	Appropriation Expenditure Excess	8053000 8359970 306970
			do

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Sl. No	Grant/ Appropriation		Rupees	Contributory reasons as stated by the ministries/departments
<b>Capital (Voted)</b>				
24.	16-Assets- Acquisitions, Construction etc.	Grant	226792828000	do
		Expenditure	248377992145	
		Excess	21585164145	
<b>Capital (Charged)</b>				
25.	16-Assets- Acquisitions, Construction etc, Railway Funds	Appropriation	11068000	do
		Expenditure	37418000	
		Excess	26350000	
<b>Postal Services: Revenue (Voted)</b>				
26.	14-Department of Posts	Grant	63314600000	Increase in TRCA for GDS, finalisation of more retirement cases and segregation of funds allotted for Gramin Dak Sevaks under the head Postal Network-Existing Post Offices but expenditure not segregated
		Expenditure	64291056000	
		Excess	976456000	

**7.2** The details of excess disbursements and also other details relating to grants of the Railways are mentioned in Report No. 6 of 2007 of the Comptroller and Auditor General of India.

**Excess expenditure over the available provisions**

**7.3.** Pay and Accounts Officer can make payment in excess of the budget allotment under any sub-head or primary unit on receipt of an assurance from the head of the department controlling the grant that necessary funds to accommodate the disbursement would be provided by issue of re-appropriation orders, etc. It was, however, observed from the head-wise appropriation accounts for the year 2005-06 that in 46 cases of 18 grants and appropriations (Civil and Defence Services) that though the expenditure of Rs. 101786.70 crore had exceeded the available provisions under sub-heads, the authority administering the concerned grant/appropriation did not issue re-appropriation orders to accommodate the final excess expenditure over the available provision, indicating laxity in budgetary control. A few instances (Rs. two crore or more) are given in Appendix-VII-A.

### Unspent provision of Rs. 100 crore or more

**7.4** Unspent provisions in a grant or appropriation indicate either poor budgeting or shortfall in performance or both. Unspent provisions of more than Rs. 100 crore, which need a detailed explanatory note to the Public Accounts Committee, occurred in 53 cases of 44 grants during 2005-06. Large unspent provisions were in areas like Food and Public Distribution, Power, Payments to Financial Institutions, Defence Services (Army), Department of Revenue, Family Welfare, Heavy Industry, Petroleum and Natural gas, Transfers to State and Union Territory Governments, Capital Outlay on Defence Services and Railways-Operating expenses-Traffic. 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 G.F.R.-56, 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 2005-06, under 199 segments of 96 grants/appropriations of civil ministries, there was an unspent provision of Rs. 30166.70 crore. This was offset by excess expenditure of Rs. 97062.69 under eight segments of four grants and four appropriation resulting in a net excess expenditure of Rs. 66895.99 crore.

The amounts surrendered are shown in Table 7.3.

**Table 7.3: Details of unspent provision and surrender**

<i>(Rupees in crore)</i>				
	Net unspent provision	Amount surrendered	Amount surrendered on last date	Amount not surrendered
<b>Revenue</b>				
Voted	21101.72	19575.85	19035.03	1525.87
Charged	(+2526.58	809.04	809.04	-
Total: Revenue	18575.14	20384.89	19844.07	-
<b>Capital</b>				
Voted	7680.53	7334.85	6010.42	345.68
Charged	(+ 93151.66	369.91	369.90	-
Total: Capital	(+ 85471.13	7704.76	6380.32	-
<b>Grand total</b>	<b>(+) 66895.99</b>	<b>28089.65</b>	<b>26224.39</b>	<b>-</b>

**7.6** Under the grants/appropriations pertaining to Department of Fertilisers, Department of Telecommunications, Currency, Coinage and Stamps, Ministry of Labour and Employment, Ministry of Overseas Indian Affairs, Defence Services-Army and Defence Services-Air Force, 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 2005-06 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-appropriation of funds took place, were in Payments to Financial Institutions (Rs. 1216 crore), Interest Payments (Rs. 2289 crore), Transfers to State and Union Territory Governments (Rs. 9281 crore), Appropriation-Repayment of Debt (Rs. 10378 crore), Department of Family Welfare (Rs. 1735 crore) and Department of Rural Development (Rs. 3582 crore).

### **Injudicious re-appropriation to sub-heads**

**7.9** Test check of the accounts revealed that in twenty cases relating to thirteen grants/appropriations, re-appropriation aggregating Rs. 194.65 crore were injudicious, as the original provision under the sub-heads to which funds were transferred by re-appropriation was 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. Savings were attributed (February 2007) by the Lok Sabha Secretariat (Grant No. 75) to delayed receipt of Annual Maintenance Contract (AMC) bills from the Electronics Corporation of India Limited (ECIL) in respect of Integrated Security Systems installed in Parliament complex. The Ministry of Home Affairs (Grant No. 52) attributed the reasons for savings to less expenditure on pay and allowances and austerity measures adopted in office expenses, non-completion of civil and electrical work by CPWD in North Block and Jaisalmer House and delayed allocation of additional funds to Narcotics Control Bureau for procurement of land.

### **Irregular re-appropriation**

**7.10** 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 five crore whichever is 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.

**7.11** Test check of appropriation accounts for 2005-06 revealed that there were 253 sub-heads/cases under 60 grants/appropriations to which re-appropriation in excess of Rupees five crore was made. Out of these, in 138 sub-heads/cases involving 43 grants/appropriations, the re-appropriation exceeded 25 *per cent* of the budget provision and was required to be reported to Parliament through the last batch of supplementary demands for grants. Only in 121 cases, such re-appropriations were reported to Parliament.

**Re-appropriation without prior approval of Secretary (Expenditure)**

**7.12** All re-appropriations which would have the effect of increasing the budget provision by Rupees five 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 five 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.	31 – Ministry of External Affairs	2052 – Secretariat – General Services	Ministry of External Affairs	O: 120.34 S: 3.50 R: 10.83
2.	--do--	2061 – External Affairs	Other International Organisations	O: 1.59 S: 3.53 R: 11.77
3.	--do--	3605 – Technical and Economic Cooperation with other Countries	Aid to Maldives	O: 3.20 R: 12.00
4.	--do--	--do--	Aid to Other Developing Countries	O: 280.81 S: 109.98 R: 12.60

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

**Unnecessary supplementary grant**

**7.13** The position of original and supplementary grants obtained under civil ministries/defence services and percentage of supplementary provision to the

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original provision from 1999-2000 onwards is given in Appendix-VII-E. In 24 cases relating to 20 grants as detailed in Table 7.5, while supplementary provisions aggregating to Rs. 443.80 crore were obtained during 2005-06 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 7.5: Unspent provision were more than the supplementary grant/appropriation**

<i>(Rupees in crore)</i>					
Sl. No.	Grant/appropriation	Original provision	Supplementary grant obtained	Actual disbursements	Unspent provision
<b>Civil</b>					
<b>Revenue – Voted</b>					
1.	07 – Department of Chemicals and Petro-chemicals	748.78	10.17	709.46	49.49
2.	44 – Indirect Taxes	1458.67	1.01	1361.35	98.33
3.	51 – Department of Public Enterprises	32.93	0.38	30.08	3.23
4.	59 – Department of Women and Child Development	3931.11	0.29	3929.37	2.03
5.	63 – Law and Justice	493.98	100.02	376.26	217.74
6.	72 – Ministry of Planning	106.80	11.26	104.54	13.52
7.	76 – Rajya Sabha	94.90	2.73	88.53	9.10
8.	81 – Department of Drinking Water Supply	4751.42	10.11	4737.61	23.92
9.	85 – Department of Shipping	670.71	49.33	670.01	50.03
10.	86 - Department of Road Transport and Highways	8451.63	132.75	8136.21	448.17
11.	87 – Ministry of Small Scale Industries	442.10	4.05	438.44	7.71
12.	98-Daman and Diu	257.89	0.50	257.65	0.74
13.	100 -Department of Urban Development	1605.54	6.53	893.78	718.29
14.	101 – Public Works	718.32	6.30	651.22	73.40
<b>Revenue – Charged</b>					
15.	70 – Ministry of Personal, Public Grievances and Pensions	7.27	0.33	7.07	0.53
<b>Capital - Voted</b>					
16.	7 – Department of Chemicals and Petrochemicals	164.47	10.01	72.07	102.41
17.	65 – Ministry of Non-conventional Energy Sources	70.05	5.00	44.70	30.35
18.	70 – Ministry of Personal, Public Grievances and Pensions	21.16	1.48	2.36	20.28
19.	87 – Ministry of Small Scale Industries	18.20	9.47	15.00	12.67
20.	93-Ministry of Tourism	489.25	12.01	482.68	18.58



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Sl. No.	Grant/appropriation	Original provision	Supplementary grant obtained	Actual disbursements	Unspent provision
<b>Capital - Charged</b>					
21.	54 – Police	17.35	2.26	6.49	13.12
22.	100 – Department of Urban Development	11.60	1.00	11.52	1.08
<b>Defence Services</b>					
23.	23-Defence Services, Army	32084.37	0.01	31545.49	538.89
24.	26 – Defence Ordnance Factories	1158.24	66.80	1143.80	81.24
<b>Total</b>			<b>443.80</b>		

**Unrealistic estimation of expenditure/revised estimates**

**7.14** 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 7.6 but they were finally unable to spend not only the entire supplementary grants or parts thereof but also the original budget provision in certain cases.

**Table 7.6: Statement showing unnecessary supplementary grant under sub-heads**

*(Rupees in crore)*

Sl. No.	Grant no. and name	Major head/Sub-head	Original provision	Supplementary provision	Actual disbursement	Unspent provision	Reasons attributed by the ministry/department
1.	31-Ministry of External Affairs	2061.00.105.01-Central Passport and Emigration Organisation	117.55	16.18	118.53	15.20	Saving was due to non-receipt of bills from Security Press, Nasik
2.	-do-	2061.00.800.07-Special Delegations	4.25	1.00	4.12	1.13	Saving was due to reduction in size of delegation to UN General Assembly
3.	-do-	4216.01.700.18 – External Affairs	15.00	6.10	15.28	5.82	Due to non-utilisation of fund provided for construction /repair & maintenance of residence and boundary wall in Islamabad, Karachi, Stockholm, Berne and Hague.

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Sl. No.	Grant no. and name	Major head/Sub-head	Original provision	Supplementary provision	Actual disbursement	Unspent provision	Reasons attributed by the ministry/department
4.	34- Payments to Financial Institutions	2416.00.800.01- Grants to National Bank for Agricultural and Rural Development (NABARD)	609.99	4.69	13.63	601.05	Due to non-utilisation of funds as per recommendations of task force to revitalise the short-term credit structure.
5.	-do-	2885.01.800- Redumption of Securities to Stressed Assets Stabilisation Fund	NIL	1000.00	134.00	866.00	Due to late commencement of operation by the company.
6.	43-Direct Taxes	2020.00.001.03 – Organisation and Management Services	33.60	0.71	4.47	29.84	Due to re-appropriation of funds under the head IT
7.	-do-	2020.00.800.02 – Authority for Advance Rulings	1.42	0.03	1.30	0.15	Due to fewer claimants of medical reimbursement and less tours of officers/staff.
8.	50 – Department of Heavy Industry	2852.06.103.45 – Heavy Engineering Corporation Limited	NIL	11.01	NIL	11.01	Due to non approval of Revival Plan by the Hon'ble High Court.
9.	-do-	6854.60.800.01 – Implementation of revival schemes of PSEs	150.00	116.00	NIL	266.00	Due to re-appropriation of funds among PSUs.
10.	-do	6858.60.190.22 – Lump sum provision for restructuring of PSEs in Department of Heavy Industry	1.00	94.00	NIL	95.00	Due to re-appropriation of provision among PSUs.
11.	53 - Cabinet	2055.00.118.01- Establishment	101.13	25.07	101.30	24.90	Due to non finalisation of proposals for procurement of machinery & equipments for communication system, BMW cars and less expenditure on New weapon system.
12.	54 - Police	4055.00.800.04- Indo Pak Border Works (Charged)	0.20	2.26	-	2.46	Due to non-finalisation of proposal.
13.	60 – Ministry of Information and Broadcasting	2205.00.109.02 – Central Board for Film Certification	4.05	0.30	3.42	0.93	Due to non approval of scheme, austerity measures and less payment made to detective agencies.

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Sl. No.	Grant no. and name	Major head/Sub-head	Original provision	Supplementary provision	Actual disbursement	Unspent provision	Reasons attributed by the ministry/department
14.	-do-	2220.01.105.01 – Films Division	26.95	0.65	26.50	1.10	Due to variation in Municipal taxes, hiring of less number of professionals, reduction in number of prints of films and austerity measures.
15.	70 – Ministry of Personnel, Public Grievances and Pensions	4055.00.800.05 – Central Bureau of Investigation	20.07	1.48	1.47	20.08	Due to delay in construction activities owing to late approval by Expenditure Finance Committee.
16.	72 – Ministry of Planning	3451.00.101.02 – Programme Evaluation Organisation	2.82	0.14	2.77	0.19	Due to non filling of vacant posts and less receipt of LTC claims than anticipated.
17.	87 – Ministry of Small Scale Industries	6851.00.102.01 – Provision for Implementation of V.R.S. etc.	NIL	9.47	NIL	9.47	Due to non acceptance of loan by National Small Industries Corporation Limited at higher rate of interest.

**EXPENDITURE ON “NEW SERVICE/NEW INSTRUMENT OF SERVICE”**

**7.15** According to the guidelines of February 2006 issued by Government of India, Ministry of Finance prescribing financial limits beyond which the additional expenditure constitutes “New Service/New Instrument of Service”, prior approval of the Parliament is required for relatively large expenditure met by re-appropriation of savings in a Grant.

Scrutiny of Grant No. 58- Department of Secondary and Higher Education for the year 2005-06 revealed that the Ministry made heavy re-appropriations to the following sub-heads for meeting out additional expenditure, which were not fully reported to the Parliament. Expenditure made in excess of the re-appropriations reported to the Parliament resulted in bypassing of Parliamentary financial control and requires regularisation.

*(Rupees in lakh)*

Sl. no.	Sub-head	Provision	Actual expenditure	Re-appropriations reported to and approved by the Parliament	Re-appropriations not reported to the Parliament
1.	2202.02.004.01 – National Council of Educational Research and Training	O 6323.00 S 0.10 R 1190.00	7513.00	1000.00	189.90
2.	2202.02.110.01- Kendriya Vidyalaya Sangthan	O 76364.00 S 0.15 R 5930.00	82294.00	4100.00	1829.85

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Sl. no.	Sub-head	Provision	Actual expenditure	Re-appropriations reported to and approved by the Parliament	Re-appropriations not reported to the Parliament
3.	2202.02.110.09 – Setting up of Model Schools (Navodaya Vidyalayas)	O 63885.00 S 0.10 R 8300.00	72185.00	700.00	7599.90
4.	2202.03.102.02 – University Grants Commission	O 192717.00 S 0.15 R 24874.00	217591.00	17126.00	7747.85

**Unrealistic budgetary assumptions**

**7.16** The budget circulars issued by the Ministry of Finance every year stipulate that due note, while framing the estimates, be taken of the past performance, the stages of formulation/implementation of the various schemes, the institutional capacity of the implementing agencies to implement the scheme, the constraints on spending by the spending agencies etc. The objective is to minimise the scope for avoidable surrenders at a later stage. Further, no provision should normally be made in the budget without completion of pre-budget scrutiny of the projects/schemes. Where, however, provision has been made without necessary scrutiny, such scrutiny should be completed and appropriate approvals obtained therefore before the commencement of the financial year at the latest by the time budget is passed by the Parliament. Scrutiny of the head-wise appropriation accounts revealed that the Ministries/departments made excessive provisions under the various sub-heads, which ultimately resulted in the large savings and surrenders at the end of the year. Appendix VII-F gives the details. The Ministry of Labour & Employment (Grant No. 61) attributed (November 2006) saving to non-receipt of housing proposals/information in respect of houses completed by the State Governments. The Ministry of Overseas Indian Affairs (Grant No. 66) informed (December 2006) that schemes/programmes could not be framed/implemented due to shortage of officers and staff and late allocation of land by the Ministry of Urban Development for office building. Ministry of Home Affairs (Grant Nos. 52, 54 and 55) attributed (December 2006 and February 2007) the savings to non-filling of vacant posts, fewer medical claims, non-procurement of Plant & Machinery, late approval/finalisation of schemes, non-finalisation of multipurpose identity card scheme, non-receipt of claims from J&K Government and delay in finalisation of campaign for National Disaster Management Programme. Ministry of Planning (Grant No. 72) attributed (December 2006) the surrender of funds allocated for Tsunami Rehabilitation Programme to non-implementation/sanction of scheme by the concerned Division. Ministry of Company Affairs (Grant No. 17) attributed (December 2006) saving to delay in implementation of MCA 21 project/setting up of National Company Law Tribunal etc. Ministry of Social Justice & Empowerment (Grant No. 88) informed (January 2007) that the savings were due to non-receipt of proposals from the voluntary organizations and non-formulation of 'Residential schools

for SCs Scheme'. Ministry of Finance (Grant Nos. 32, 34 and 37) attributed (December 2006, January 2007 and February 2007) the savings to slow disbursements in existing programmes, non-finalisation of various plans, receipt of lesser claims from Government servants than anticipated, non-receipt of claims from Small Industrial Development Bank of India/Infrastructure Development Finance Company Ltd., non-release of funds for revitalization of short term Co-operative structure, etc. Ministry of Personnel, Public Grievances and Pensions (Grant No. 53) attributed (December 2006) the savings to delay in finalisation of proposals for construction of Kendriya Vidyalaya, parking sheds and acquisition of land, etc. Ministry of Development of North Eastern Region (Grant No. 29) attributed (January 2007) the saving to non-implementation of a project in an insurgency prone area of Manipur.

The justifications given by the ministries for unspent provision are not tenable as the contributory reasons indicated in each case could have been avoided had proper pre-budget scrutiny of the projects, schemes and activities been undertaken, instructions for which have also been issued by the Ministry of Finance from time to time. It is evident that the instructions issued by the Finance Ministry every year were not adhered to by the ministries and budget provisions were made without completion of pre-budget scrutiny.

### **Large supplementary grants due to unrealistic budgetary projections**

**7.17** Under Article 114 of the Constitution of India, the Parliament authorises the Government to appropriate specified sums from the Consolidated Fund of India. Parliament can also sanction supplementary or additional grants by subsequent Appropriation Acts in terms of Article 115 of the Constitution. While preparing the estimates of expenditures, ministries/departments are required to keep in view the trends of disbursements during the previous years and take due care so that provision for all inescapable and foreseeable expenditures is made in the estimates before they are submitted to the Ministry of Finance. The Ministry of Finance after due deliberations and pre-budget meetings/scrutiny finalises the budget proposals. A scrutiny of the Appropriation Accounts for the year 2005-06 revealed that a large number of ministries/departments of the Central Government obtained supplementary grants/appropriations much in excess of the original provisions. The supplementary provisions ranged between 65 to 535 *per cent* of the original provisions in some of the cases mentioned below. This indicated that the ministries and departments did not prepare estimates of expenditure on a realistic basis and that the mechanism of holding pre-budget meetings and scrutiny by Ministry of Finance for ensuring realistic budgetary projections did not have the desired effect:

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**Table 7.7: Statement showing details of large Supplementary Grants  
due to unrealistic budgetary projections**

*(Rupees in crore)*

Sl. No.	Grant No.	Original provision	Supplementary provision	Percentage of supplementary to original provision
1.	50- Department of Heavy Industries	Revenue- Voted 308.80	1651.21	535
2.	71- Ministry of Petroleum & Natural Gas	Revenue- Voted 3669.00	17262.85	471
3.	36- Transfers to State & UT Governments	Capital- Voted 1000.00	4674.00	467
4.	10- Ministry of Coal	Capital- Voted 25.00	43.00	172
5.	30- Ministry of Environment & Forests	Capital- Voted 10.92	18.41	169
6.	56- Transfers to U.T. Governments	Capital- Voted 72.00	75.00	104
7.	38- Appropriation- Repayment of Debt	Capital- Voted 601477.12	420203.72	70
8.	73- Ministry of Power	Revenue- Voted 1670.57	1110.34	66
9.	34- Payments to Financial Institutions	Capital- Voted 988.03	743.03	75
		Revenue- Voted 3102.47	2009.74	65

**Postal Services (Grant No. 14)**

**7.18** Persistent savings were noticed under Capital Section of the grant primarily under head 5201.104 - 'Mechanisation and Modernisation of Postal Services' during the years 2001-06 as detailed in Table 7.8.

**Table 7.8: Persistent unspent provision under capital (voted) section**

*(Rupees in crore)*

Year	Budget provision and supplementary grant	Actual expenditure	Unspent provision	Percentage
2001-02	107.38	51.92	55.46	52
2002-03	128.56	41.54	87.02	68

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*(Rupees in crore)*

Year	Budget provision and supplementary grant	Actual expenditure	Unspent provision	Percentage
2003-04	129.18	48.16	81.02	63
2004-05	178.75	126.29	52.46	29
2005-06	367.09	268.98	98.11	31

**7.19** The reasons advanced by the department for savings under the Capital (Voted) section are 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
Capital (Voted)	367.09	268.98	98.11	<ul style="list-style-type: none"> <li>- Delay in commencement of new project</li> <li>- Non receipt of bills from suppliers</li> <li>- Re-tendering process for procurement of garage equipment.</li> <li>- Settlement of suspense account</li> </ul>
<b>Total</b>	<b>367.09</b>	<b>268.98</b>	<b>98.11</b>	

**Defence Services:**

**7.20** Scrutiny of Appropriation Accounts of Defence Services disclosed a persistent trend of unspent provision during the years 2003-06 under voted segment of four grants as detailed in table 7.10.

**Table 7.10: Persistent unspent provision**

*(Rupees in crore)*

Grant No Sub-Major/ Minor Head	2003-04	2004-05	2005-06	Reasons for unspent amount given in Appropriation Accounts
<b>23- Defence Services-Army</b>				
800-Other Expenditure	11.87	32.84	31.20	Due to procedural delays in settlement/bookings and shortfall of large number of estimating authorities.
<b>25- Defence Services-Air Force</b>				
111-Works	23.15	55.67	10.22	Due to non-finalisation of major projects.
<b>26- Defence Ordnance Factories</b>				
110-Stores	31.18	10.43	26.55	Due to lower booking in Government supply, non-receipt of debit vouchers and less foreign purchase cash outgo on Engines, Road Wheels, AD gun spares and ammunition.
800-Other Expenditure	24.22	8.43	17.23	Due to less expenditure on Electricity and Water than anticipated, less payment to DAVP and less expenditure on TOT for RCL Gun.

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(Rupees in crore)

Grant No Sub-Major/ Minor Head	2003-04	2004-05	2005-06	Reasons for unspent amount given in Appropriation Accounts
<b>28- Capital Outlay on Defence Services</b>				
<b>02 – Navy</b>				
104 – Joint Staff	29.26	27.67	12.17	Due to less booking against certain bills, slow progress and non-completion of works in time.

The persisting trends of large unspent provisions in the aforesaid heads of grants are indicative of over-estimation of the requirement of funds by Ministry of Defence.

**Irregular change of nomenclature Object Head “Grant-in-Aid” to Object Head “Contribution”**

**7.21** Based on recommendations of Public Accounts Committee and further deliberations thereon, the funds of Canteen Stores Department (CSD) were brought within the purview of Consolidated Fund of India with effect from 1.4.1977. Hence all receipts generated by CSD were to be credited to the CFI and all expenditures were to be appropriated through budgetary allocation during the respective years. The Ministry had been following the practice under which funds equivalent to 50 *per cent* of total net profit generated by CSD in a particular year were appropriated/distributed as ‘Grants-in-Aid’ to the various beneficiaries of the CSD. Till the year 2004-05, Ministry of Defence provided this amount in their demands for grants as ‘Grants-in-Aid’ under the head 2075-00.108.01.00.31. However, from the year 2005-06, Ministry of Defence started booking this expenditure under a new object head ‘Contribution’ (2075.00.108.01.00.32) without the prior consent of the accredited Audit officer viz. Director General of Audit Defence Service, which was irregular. Audit pointed out this irregularity in October 2005 but the Ministry did not take corrective measures in the demands for grants for the subsequent year 2006-07 and continued booking/provision under the head ‘Contribution’, which was again objected to by Audit in May 2006.

An amount of Rs. 77.38 crore was incorrectly booked under the object head ‘Contribution’ during the year 2005-06. Provision and booking of this expenditure under the object head ‘Contribution’ is not proper as the payment is purely gratuitous payment made out of the Consolidated Fund of India which should have appropriately been classified under the Object Head ‘Grants-in-Aid’. It should be discontinued.