Office of Comptroller and Auditor General of India

New Delhi: 19.12.2017

<u>Press Release</u>

CAG's Audit Report on Accounts of the Union Government tabled in Parliament.

Report includes comments on deficiencies in the presentation of the Union Government Finance Accounts with regards to accuracy, transparency and completeness

Audit Report of the Comptroller and Auditor General of India No. 44 of 2017 Union Government – Accounts of the Union Government for the year 2016-17 was tabled in Parliament today.

The Annual Accounts of the Union Government presented to Parliament consist of the Union Government Finance Accounts and the Appropriation Accounts (Civil, Postal Services and Defence Services) for the year ended 31 March 2017. The Finance Accounts depict the statement of receipts and disbursements for the purpose of the Union Government. The Appropriation Accounts depict sums expended in the year ended 31 March 2017, compared with the sums authorised by the Parliament and explanations for the resultant excesses of expenditure or savings of grants/appropriations under each Grant/Appropriation.

The Report includes matters arising from test audit of the Finance Accounts and the Appropriation Accounts of the Union Government for the year 2016-17.

The Report provides an overview of the Union Government Accounts for the year 2016-17. It analyses critical changes in major fiscal parameters/indicators in context of prevalent trends over the period of last five years.

The Report includes comments on deficiencies in the presentation of the Union Government Finance Accounts with regards to accuracy, transparency and completeness.

The Report contains observations on the Appropriation Accounts (Civil, Posts and Defence) including an analysis of expenditure in excess of budgetary allocations requiring regularisation by the Parliament, unspent provisions requiring explanation, irregular and injudicious re-appropriations, supplementary provisions obtained without requirement by some Ministries and unrealistic budgeting.

The Report also contains audit findings related to breach of constitutional provisions and violations of General Financial Rules-2005, Delegation of Financial Power Rules and other standing instructions issued by the Ministry of Finance.

The Report highlights findings arising from a detailed review of Grants and Appropriation Accounts of four selected Ministries on Budget and Expenditure, unspent provisions, surrender of unspent provision at the fag end of the financial year, lapsed savings, unrealistic budgetary projections, time analysis of expenditure, irregular and injudicious re-appropriations, supplementary provisions made without requirement besides an in-depth study of persistent savings, unrealistic budgeting and outstanding utilisation certificates.

Some of the important points of the Report are:

- There was an increase of 14.50 *per cent* in gross revenue receipts primarily on account of increase in both tax revenue receipts (17.86 *per cent*) and non-tax revenue receipts (4.43 *per cent*) during 2016-17 over the previous year.

  (Para 1.2.2)

- The revenue expenditure grew by 8.63 *per cent* during 2016-17 as against 4.98 *per cent* in 2015-16. Expenditure on General Services constituted 47.92 *per cent* of the revenue expenditure in 2016-17.

  (Para 1.3.2)

- Capital expenditure decreased by ₹ 29,394 crore (10.54 *per cent)* over the previous year and stood at ₹ 2,49,472 crore in 2016-17. The share of capital expenditure in total expenditure declined from 13.24 *per cent* in 2015-16 to 11.12 *per cent* in 2016-17.

  (Para 1.3.3)

- The revenue deficit for the year 2016-17 was 2.09 *per cent* of GDP against 2.51 *per cent* of GDP in 2015-16. The revenue deficit of 2.09 *per cent* of GDP was below the level outlined by the Fourteenth Finance Commission. The Fiscal Deficit for the year 2016-17 was 3.54 *per cent* of GDP against 4.28 *per cent* of GDP in 2015-16.

  (Paras 1.4 and 1.5.4)

- Public Account Liability works out to ₹ 15,19,728 crore after taking into account the level of liability of Small Savings, Provident Funds, etc., of ₹ 13,11,628crore and ₹ 2,08,100 crore as other obligations.

  (Para 1.5)

- Opaqueness was noticed in 35 Major Heads relating to expenditure and receipts wherein more than 50 *per cent* of total expenditure and receipts under these heads were recorded under minor head 800-Other Expenditure/Other Receipts.

  (Para 2.2.1)

- Fourteen regulatory bodies and autonomous bodies which also act as regulators in their respective field, had retained funds generated through fee charges, unspent grants received from Government of India, interest accrued on Government grants, receipt of license fees, corpus fund, etc. aggregating ₹ 6,064.08 crore at the end of March 2017, outside the

Government Account, contrary to the instructions issued by the Ministry of Finance in January 2005.

(Para 2.2.2-a)

- Research and Development Cess aggregating ₹7,885.54 crore was collected during the period 1996-97 to 2016-17. Out of this, only ₹609.46 crore (7.73 per cent) was utilized towards the objectives of levying the said cess.

(***Para 2.3.1***)

- Against the total collection of ₹ 83,497 crore as Secondary and Higher Education Cess (SHEC) in the Consolidated Fund of India during 2006-07 to 2016-17, no amount could be transferred to the earmarked fund in Public Account as neither the schemes were identified on which the cess proceeds were to be spent nor the designated fund was opened in the Public Account to deposit the proceeds of SHEC.

(Para 2.3.3)

- Due to expenditure from the Beedi Workers Welfare Fund (Fund) being far in excess of the receipts, the balance in the Fund over the years had become adverse. There was a continuous adverse balance in the fund during the period 2012-13 to 2016-17, which moved from (-) ₹ 200.46 crore in 2012-13 to (-) ₹ 210.97 crore in 2016-17.

(Para 2.3.8)

- Total loan of ₹ 2,62,177.59 crore was outstanding against State/UT Governments and other entities as on 31st March, 2017. Out of this, repayment of ₹ 25,943.30 crore was in arrears ranging from one to 50 years which includes ₹11,302.46 crore in arrears for more than 20 years (cases of more than ₹ 10 crore).

[Para 2.4.4.4(g)]

- There was an excess disbursement of ₹ 1,90,270.18 crore over the authorisation from the Consolidated Fund of India during the year 2016-17. Out of these excess disbursement of ₹1,89,154.26 crore occurred in three segments of two Grants/Appropriations in Civil Ministries/Departments, ₹ 936.48 crore in one segment of one Grant of Posts, ₹ 146.31 crore in two segments of one Grant of Defence and ₹ 33.13 crore in six segments of three Grants of Railways. These excess disbursements require regularization under Article 115(1) (b) of the Constitution.

(Para 3.4)

- Savings of more than ₹ 100 crore were noticed in 84 segments of 67 Grants (including Civil, Posts, Railways and Defence Services) amounting to ₹2,28,640 crore.

(Para 3.7)

- In accordance with Article 114(3) of the Constitution of India, no money shall be withdrawn from Consolidated Fund of India (CFI) except by appropriation made by law. The Central Board of Direct Taxes (CBDT) incurred an expenditure on interest on refunds amounting to ₹2,598 crore without the authorisation of Parliament during the year 2016-17. A total expenditure of ₹58,537 crore on interest payments had been incurred over the last nine years without obtaining approval of Parliament through necessary appropriations, despite the recommendations of the Public Accounts Committee in their 66th and 96th Reports.

(Para 4.2)

- Augmentation of provision by way of re-appropriation to 'Grants-in-aid' to anybody or authority and to 'Subsidies' from the Consolidated Fund of India can only be made with the prior approval of Parliament. During 2016-17 in nine cases, across seven Grants, ₹ 7.37 crore were incurred by various Ministries/Departments by augmenting provision under object head '31-Grants-in-aid-General' to various bodies/authorities without obtaining prior approval of Parliament. Similarly, in five cases across four Grants, ₹6.01 crore was augmented in violation of extant provisions without prior approval of Parliament to the object head '35-Grants for creation of Capital Assets'. Further, in Department of Empowerment of Persons with Disabilities, funds aggregating to ₹ 2.48 crore were augmented without prior approval of Parliament to the object head '36-Grants-in-aid Salaries'. In eight cases across four Grants, funds aggregating to ₹ 3,230.60 crore were augmented without prior approval of Parliament to the object head '33-Subsidies'. All these excess expenditures over total authorisation attracted limitations of New Service/New Instrument of Service (NS/NIS).

(Paras 4.3.1, 4.3.2, 4.3.3 and 4.3.4)

- Various Departments/Ministries had incorrectly classified revenue expenditure as capital expenditure and vice-versa. The misclassifications resulted in under-statement of revenue expenditure by ₹ 2,229.40 crore and over-statement of revenue expenditure by ₹752.18 crore. The overall impact on Government expenditure was an understatement of revenue expenditure by ₹1,477.22 crore for the year 2016-17 and overstatement of capital expenditure to that extent.

(Paras 4.4.1, 4.4.2 and 4.4.3)

- Rule 8 of the Delegation of Financial Powers Rules, 1978, prescribes standard primary units of appropriation (i.e. Object Head) with the descriptions/definitions for the purpose of classification of expenditure up to the sixth tier i.e. object head. In 46 cases across 14 Grants, expenditure amounting to ₹ 549.49 crore was misclassified between the primary units of appropriation.

(Para 4.5.2)

- Detailed examination of Appropriation Accounts in respect of Ministry of Electronics and Information Technology, Ministry of Drinking Water and Sanitation, Ministry of New and Renewable Energy and Ministry of Urban Development for the period 2014-17 revealed large and persistent savings at sectional level and sub-head level, non-surrender and delay in surrender of savings, obtaining of large supplementary grants due to unrealistic budgetary projections, unnecessary supplementary grants under sub-heads, non-utilisation of entire provision at sub-head level, injudicious re-appropriations and outstanding utilisation certificates.

(Para 5.1, 5.2, 5.3 and 5.4)

****