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CHAPTER

OBSERVATIONS ON APPROPRIATION ACCOUNTS

Chapter 3 Observations on Appropriation Accounts

3.1 Overview of Appropriation Accounts

The Appropriation Act enacted by the Parliament authorizes the Government to draw specified sums from the Consolidated Fund of India (CFI) for identified activities and functions, under various Grants in terms of Articles 114 and 115 of the Constitutions, and for disbursements charged on the CFI. Parliament approves supplementary or additional Grants by subsequent Appropriation Acts in terms of Article 115 of the Constitution.

Authorisations by Parliament are based on budget estimates (BE) prepared by Ministries and Departments in accordance with the General Financial Rules (GFR) and instructions issued by the Budget Division, Ministry of Finance (MoF). These instructions envisage that the BEs are prepared realistically to meet all expenditure requirements and ensure that unspent balances are avoided. The BEs are further scrutinized by MoF before incorporation in Budget documents.

The Controller General of Accounts (CGA) prepares the Appropriation Accounts of Civil Ministries. The Ministries of Defence, Railways and the Department of Post[28] prepare the Appropriation Accounts of their respective Grants. These Accounts compare Grant/Appropriation[29]-wise summary of provisions for expenditure authorised by Parliament and the actual expenditure from CFI against these. Explanations are provided for variations between provisions and expenditure at minor/sub-head level above specified thresholds. These accounts, thus, reflect the extent to which Ministries/Departments comply with Parliamentary authorisation during the year.

3.1.1 Details of provisions and expenditure

The Appropriation Accounts for FY 20 cover approved provisions aggregating to ₹103,20,827.16 crore and total expenditure thereon amounting to ₹99,43,306.57 crore.

[28] Controller General of Defence Accounts, Member Finance (Railway Board)/ Chairman & CEO Railway Board, and Member (Finance) Posts respectively.

[29] 'Appropriations' are made against demands that are entirely 'charged' to CFI; 'Grants' are made against demands that are either fully 'Voted' or partly 'Voted' and partly 'Charged'. There were six 'Appropriations' and 94 'Grants' in FY 20.

Figure 3.1: Break-up of Gross Expenditure

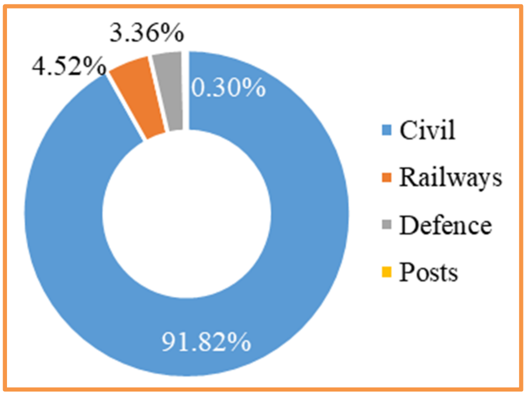

Figure 3.1 shows the break-up of expenditure in Ministries/ Departments- Civil, Railways, Defence and Posts during FY 20, while segment[30]-wise details are given at **Annexure 3.1**. The bulk of the total gross expenditure, i.e. 91.82 *per cent,* was incurred by the Civil Ministries.

Table 3.1: Provision, disbursements, and savings[31]

(₹in crore)

Appropriation Accounts (No. of Grants)	Original Provision	Supplementary Provision	Total Provision	Disbursements	Savings (-) (in *per cent*)
Civil (96)	89,61,652.15	4,89,006.43	94,50,658.58	91,34,889.48	-3,15,769.10*(3.34)*
Railways (1)	5,00,140.23	817.51	5,00,957.74	4,44,213.53	-56,744.21*(11.33)*
Defence (2)	3,25,751.70	11,000.01	3,36,751.71	3,34,333.26	-2,418.45*(0.72)*
Post (1)	31,359.74	1099.39	32,459.13	29,870.30	-2,588.83*(7.98)*
Total	98,18,903.82	5,01,923.34	1,03,20,827.16	99,43,306.57	-3,77,520.59*(3.66)*

Thus, against the total provision of ₹103,20,827.16 crore, expenditure of ₹99,43,306.57 crore was incurred, resulting in unspent provision of ₹3,77,520.59 crore (3.7 *per cent*) in FY 20.

Further, Department of Post and Ministry of Railways had obtained supplementary grants of ₹1,099.39 crore and ₹817.51 crore, respectively, in anticipation of higher expenditure at Grant level. However, the final expenditure was even less than the original provisions. This indicates need for a more realistic estimation of supplementary requirements after considering up-to-date expenditure and requirements at grant level.

3.1.2 Charged and voted disbursements

As per Article 112(2) of the Constitution, a distinction is made between Charged and Voted expenditure. Charged expenditures are defined in Articles 112(3), 273, 275(1) and 293(2) of the Constitution. Estimates of Charged expenditure are not subject to the vote of Parliament as per Article 113(1) of the Constitution but can be discussed in the Parliament.

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30 Each Grant/Appropriation may have four segments – Revenue (Charged), Revenue (Voted), Capital (Charged), and Capital (Voted).

31 In Appropriation Accounts, variations are explained with reference to amounts sanctioned by Parliament including supplementary grants or appropriations and expenditure thereagainst. Negative variations are referred to as 'Savings' and positive variations as 'Excess'.

Overall, the charged expenditures were 71.80 *per cent* of the total disbursements from CFI in FY 20, with details as depicted in **Table 3.2**.

Table 3.2: Charged and voted disbursements

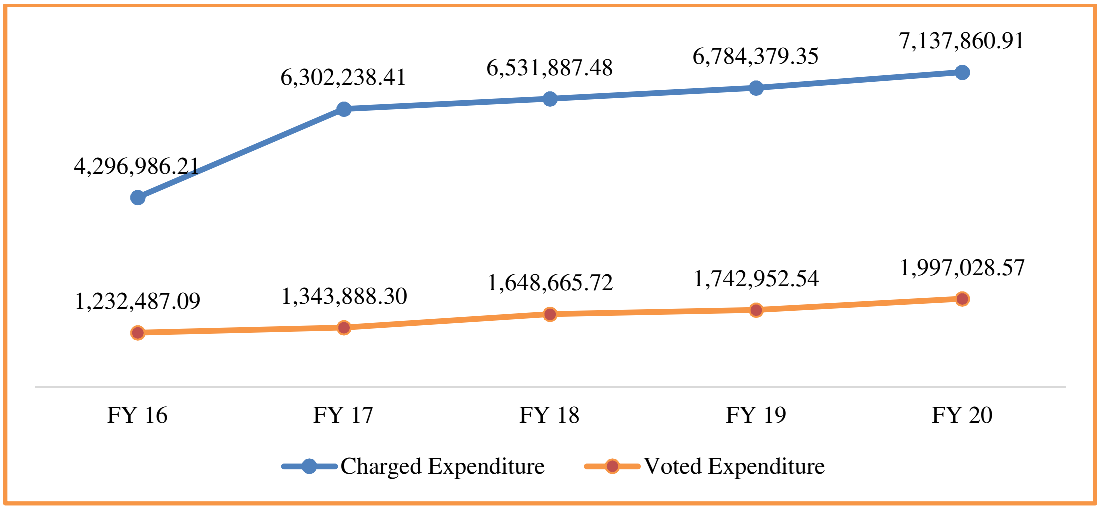
(₹in crore)

Appropriation	Charged	Voted	Total
Civil	71,37,860.91	19,97,028.57	91,34,889.48
Railways	1,210.86	4,43,002.67	4,44,213.53
Defence	136.06	3,34,197.20	3,34,333.26
Posts	0.09	29,870.21	29,870.30
Total	71,39,207.92	28,04,098.65	99,43,306.57

In FY 20, in respect of Civil Ministries/Departments, the major charged disbursement consisted of two Appropriations viz., *Repayment of Debt* and *Interest Payments*, and one Grant- Transfers to States.

Figure 3.2: Charged and Voted disbursements in Civil Ministries/Departments

(₹in crore)



As seen from **Figure 3.2,** both voted and charged expenditures had been growing consistently since FY 17. However, the growth rates in FY 20 were significantly higher than those in FY 19. Further, in *percentage* terms the charged disbursement of Civil Ministries/Departments had been slightly but continuously declining since FY 17 from 82.42 *per cent* to 78.14 *per cent* in FY 20.

Subsequent paragraphs of this Chapter contain audit observations on the Appropriation Accounts. Important observations relate to excess expenditure requiring regularisation by Parliament; significant savings; unnecessary re-appropriations; supplementary provisions obtained without requirement; delayed surrender and non-surrender of funds; expenditure incurred without adequate provisioning of funds; and misclassification of expenditure.

3.2 Variations from Authorisation

Article 114(3) of the Constitution provides that no money shall be withdrawn from the CFI except under appropriations made by law. Further, General Financial Rules (GFR)2017 stipulate that no expenditure which might lead to authorisation under the total Grant or Appropriation being exceeded will be incurred, except after obtaining a supplementary Grant or an advance from the Contingency Fund. Excesses, if any, are required to be regularised by Parliament under Article 115(1) (b) of the Constitution.

Public Accounts Committee (PAC) (10th Lok Sabha 1993-94) in its 60th Report had observed that savings of ₹100 crore or above are indicative of defective budgeting as well as shortfall in budget performance in a Grant or Appropriation. In its 16th Report, PAC (13th Lok Sabha 2000-2001) again observed that such savings are a result of injudicious formulation of budget and held that these could have been significantly reduced by making realistic budgetary projections. Consequently, MoF advised[32] Ministries/Departments to make a more careful formulation of plans/ schemes and make a realistic assessment of fund requirement.

Despite the above, cases of significant savings and excess over budgetary provisions are observed every year. Such variations for FY 20 are discussed in the subsequent paragraphs.

3.2.1 Excess expenditure over Grants/Appropriations

Three grants showed excess expenditure of ₹32,637.79 crore (after netting savings, if any, within the segment) over Parliamentary authorisation during FY 20.

Table 3.3: Excess expenditure over Grants/Appropriations

(₹in crore)

Sl. No.	Description of Grant	Total Provision	Total Expenditure	Excess Expenditure
1.	31 – Department of Revenue (Revenue Voted)	2,43,488.75	2,75,423.23	31,934.48

Department reported that the excess was due to transfer of more funds to GST Compensation Fund in order to apportion the balance IGST pertaining to FY 18.

Audit scrutiny revealed that the excess expenditure occurred due to additional transfer of ₹33,412 crore to GST Compensation Fund after the close of the financial year in June 2020, which constitutes a significant 13.11 *per cent*. This adjustment has been dealt with in detail in paragraph 2.3.3 of this Report.

In this context, Audit examined whether the above expenditure could have been anticipated and provided for in the budget of FY 20, either through Original provisions or Supplementary. As pointed out in paragraph 2.3.3, the issue of short transfer of IGST balances had been mentioned in previous Reports of the CAG submitted to Parliament in February/July 2019. MoF could have taken timely action to address the matter of short transfer of IGST and also made provision for meeting requirements for payment of

[32] MoF issued advisory on 20 July 2001 and reiterated the same on 22 July 2015.

compensation dues pertaining to FY 20 in Supplementary Demand for Grant for FY 20. This would have helped avoid excess expenditure over authorisation.

Further, Audit noted that approval of the competent authority for the excess expenditure had been obtained by invoking Appendix 10 under Rule 61 of GFR 2017 which permits excess expenditure on the condition that necessary funds will be made available through the next batch of Supplementary Demands for Grant. However, this is not applicable in this case as there is no scope for regularisation by way of Supplementary Grants within FY 20. This excess constitutes a breach of Article 114(3), as mentioned to in paragraph 3.2. As such, this will now require to be regularised following due process under Article 115(1).

2.	20 – Capital Outlay on Defence Services (Capital Voted)	1,10,299.42	1,11,000.73	701.31

Audit examination of reasons for the excess reported by MoD showed that the predominant reason for excess expenditure across Services/ Ordnance Factories was on account of payment to meet committed liabilities; liabilities of initial payment for New Schemes contracted; more expenditure on custom duty, exchange rate variation and against letter of credit and more expenditure than anticipated on certain projects. Excess expenditure has also been attributed to requirement of fast tracking works as well as completion of critical projects on time.

MoD had intimated (January 2021) that efforts are being made to introduce customized Public Finance Management System for more effective budgetary control. However, excess expenditure of ₹1,257.29 crore and ₹3,552.72 crore had also been incurred under this Grant during FY 19 and FY 18, respectively, and reasons given for the same were also similar. This shows that despite claims of improving budgetary control, similar reasons have led to excesses each year. MoD has not been able to realistically project and get their actual requirement of funds approved, even though factors cited for the excess are known and can be anticipated.

Therefore, in line with the recommendation made in para 3.2.1 of Report No. 4 of 2020, a thorough examination must be made of the extent to which such expenditure was unavoidable and if so, why were sufficient funds not provided.

3.	21-Defence Pensions (Revenue Charged)	5.80	7.80	2.00

MoD attributed (January 2021) the excess to booking of charged expenditure based on court decrees, which was obligatory in nature.

Total	**32,637.79**

3.2.2 Analysis of Savings

During FY 20, the total savings under all the grants and appropriations, was ₹4,10,158.38 crore[33] and constituted 3.97 *per cent* of total authorisations. Savings of ₹100 crore or more occurred in 74 segments of 61 Grants/Appropriations and amounted to ₹4,07,358.03 crore. Details are given in **Annexure 3.2**.

[33] These are without netting excess expenditure as given in Table 3.3.

Audit examined the Grants/Appropriations having significant savings and their analysis has been discussed in the subsequent paragraphs.

3.2.2.1 Significant savings at Grant/Appropriation level

Audit observed savings of ₹5,000 crore or more at Grant/Appropriation level in 13 Grants/Appropriations during FY 20.

The reasons for savings have been analysed in 12 Grants/Appropriations[34] having significant savings at sub-head[35] level during FY 20, as shown in **Table 3.4**.

Table 3.4: Significant savings at Grant/Appropriation level

(₹in crore)

Sl. No.	Description of Grant/Appropriation	Total Grant/ Appropriation	Expenditure	Savings[36]
1.	01-Department of Agriculture, Cooperation and Farmers' Welfare	1,30,485.30	94,511.45	35,973.85
There were savings of ₹18,786.16 crore under 'Pradhan Mantri Kisaan Sammaan Nidhi (PM-KISAN)'. Ministry attributed this to registration of less farmers under the scheme. In addition, significant savings were there under 'Pradhan Mantri Anndata Aay Sanrakshan Abhiyan (PM-AASHA)' (₹991.46 crore); 'Green Revolution – Krishonnati Yojna'(₹856.58 crore),and 'Implementation of Market Intervention Scheme/Price Support Scheme' (₹680.40 crore i.e. entire provision). Ministry ascribed savings to reasons such as non-receipt/non-finalization of proposals, availability of unspent balances with the implementing agencies and non-filling up of vacant posts. These reasons showed both gaps in scheme performance and unrealistic budgeting. Audit also noticed that there were similarly significant savings during FY 19 of ₹11,940.01 crore under 'Income Support Scheme/PM Kisan Samman Nidhi Scheme and of ₹789.73 crore under 'Green Revolution-Krishonnati Yojna', which shows continued shortfalls in scheme performance.				
2.	15-Department of Food and Public Distribution	2,42,240.44	1,15,174.25	1,27,066.19
Department reported that the against the BE of ₹1,51,000 crore, savings of ₹76,000 crore under 'Subsidy payable to FCI and others on food-grains transactions under National Food Security Act' were due to reduction of provision to ₹75,000 crore at RE stage by the MoF. This was on account of sanction of NSSF loan in lieu of food subsidy to Food Corporation of India (FCI). Audit also noted that there had been similar savings of ₹48,513.18 crore and ₹69,889.71 crore under this head during FY 18 and FY 19, respectively, on account of the same reason viz., replacement of food subsidy payments to FCI with loans from NSSF. The savings were, thus, a result of regulating expenditure on food subsidy from the budget. In addition, the entire budget provision of ₹50,000 crore for 'Ways and Means Advances (WMA)' to FCI was saved. Ministry attributed this to "non-feasibility (on the part of FCI) to repay the				

[34] In addition, significant savings were also noticed in Appropriation No.36 – Repayment of Debt.

[35] Reasons have been analysed for sub-heads having savings of more than ₹500 crore and more than 25 *per cent* of allocations subject to a minimum of ₹100 crore.

[36] These are net of excess under the same grant.

advance within the same financial year owing to liquidity constraints”. It is pointed out that there were savings of ₹38,000 crore on this account during FY 19 as well.

Further, savings of ₹2,423.43 crore under ‘Central assistance to States/UTs for meeting expenditure on intra-State movement, handling of food-grains and Fair Price Shop dealers margin under NFSA’ were due to receipt of incomplete proposals and pending utilisation certificates from States Governments and reduction of provision at RE stage by MoF.

3.	27-Department of Economic Affairs	28,582.62	16,203.69	12,378.93

Savings under this Grant were under the head ‘New Schemes’ (₹4,000 crore), which were ascribed to new schemes not taking off. It was noted that provisions under this head had similarly remained fully unused in FYs18 and 19. Further, lump sum provisions were being made each year without specifying the new schemes. Savings under ‘Gold Monetization Scheme 2015’ (₹2,546.68 crore) were attributed to less participation in the Scheme and change in consumer behavior due to COVID-19 pandemic, resulting in lower gold deposits in the last quarter of FY 20. Savings on account of Strategic and Social Infrastructure Finance Corporation of India (SSIFCI) (₹1,000 crore) were due to non-operationalisation of the Scheme. The entire provision under ‘Loans to IMF under New Arrangements to Borrow (NAB)’of ₹1,000 crore was saved due to non-receipt of demand from the IMF; and ₹900 crore were saved under ‘Coins’ on account of downward revision of indent of coins and lesser lifting by RBI.

Audit also noted that substantial savings had also been noticed under the above-mentioned sub-heads during FY 19, largely on account of the same reasons. Persistent savings indicate deficiencies in budget estimation as also programme/ scheme execution.

4.	*35-Interest Payments*	*6,73,470.60*	*6,55,372.01*	*18,098.59*

There were savings of ₹28,383.97 crore under Interest Payments viz ₹22,364.73 crore under ‘Interest on Market Loans’; ₹1,407.90 crore under ‘Discount on Treasury Bills-91 days Treasury Bills’; ₹3,265.71 crore under ‘Interest on 182 days and 364 days Treasury Bills’; and ₹1,345.63 crore under ‘Interest on Ways & Means Advances from Reserve Bank of India’. These were attributed to softening of interest rates owing to cut in Policy/Repurchase Rate (repo) by Reserve Bank of India (RBI). Further, there were savings of ₹2,445.99 crore under ‘Interest on 14 Days Treasury Bill’ due to less investments made by State Governments and ₹1,230.89 crore under ‘Compensation and Other Bonds’ due to non-receipt of claims from investors.

Audit however, observed that there had been savings of ₹5,119.09 crore under ‘Interest on market loans’, ₹3,003.69 crore under ‘Discount on Treasury’ and ₹578.33 crore under ‘Interest on Ways and Means Advances from RBI’ during FY 19 as well. Further, the softening of repo rate was evident since August 2018, and should have been factored while preparing budget estimates. Savings of ₹536.78 crore and ₹866.07 crore under ‘14 Days Treasury Bill’ had also been noticed during FY 18 and FY 19, respectively.

Department stated (October 2020) that in some heads of expenditure provisions are made only on basis of past trends and conditions prevailing at the time of budgeting. The actual expenditure is influenced by conditions in the money markets and policy decisions depending upon the need of economy. However, the persistent nature of savings under this head does not support the claim that budgeting was based on past trends.

5.	38-Transfers to States	1,81,289.89	1,74,571.89	6,718.00[37]

Audit noted that there were savings of ₹13,376.30 crore under 'Special Assistance (States)'; of ₹1,798.12 crore under 'Grants for Centrally Sponsored Schemes'. Ministry explained that savings under the two heads were on account of non-receipt of viable proposals for release of funds. Special Assistance (States) are earmarked for spillover committed liabilities for which provision is not made after the implementation of recommendations of 14th Finance Commission and other need-based assistance to the States. Audit noticed that there were savings of ₹10,314.19 crore and ₹4,049.50 crore under 'Special Assistance (States)' during FY 19 and FY 18, respectively, due to the same reasons. In addition, there were savings of ₹1,675.92 crore and ₹1,000.40 crore under 'Grants for Centrally Sponsored Schemes' for the same reasons.

Department of Expenditure (DoE) also explained (November 2020) that funds are released for development projects of States after receipt of recommendation of Niti Aayog /DEA based on fulfillment of prescribed conditions by State Governments. Since it is not possible to estimate in advance whether the States will be able to fulfill the required conditions provision are kept till the end of FY. Reply is not acceptable as receipt of proposals from States and their clearance need to be monitored and followed up so that funds allocated are not left unutilized.

In addition, under this grant there were savings of ₹5,892.50 crore under 'Revenue Deficit Grants (States)', which was due to transformation of Jammu & Kashmir State into Union Territory.

6.	42-Department of Health and Family Welfare	93,090.60	69,374.79	23,715.81

Savings of ₹18,676.42 crore were due to funds not being transferred to National Investment Fund (NIF) due to reduction of provision at RE stage by MoF. However, the expenditure had largely been incurred from CFI/GBS (Gross Budgetary Support)) for the schemes/purposes for which the funds were to be transferred. In addition, savings of ₹2,500.86, crore under Ayushman Bharat – Pradhan Mantri Jan Arogya Yojana (PMJAY) – National Health Authority, were ascribed to delay in receipt of proposals owing to slow pace of expenditure and ₹719.24 crore under 'Flexible Pool for Communicable Diseases' due to receipt of less claims from the suppliers and non-procurement of drugs and supplies owing to decrease in demand.

Audit noted that there were savings of ₹763.42 crore and ₹2,927.87 crore under 'Fund for transfer to National Investment Fund (NIF)' during FY 18 and FY 19, respectively, and ₹1,488.39 crore under 'Flexible Pool for Communicable Diseases' during FY 19, thus, indicating persistent deficiencies in budgeting.

7.	56-Ministry of Housing and Urban Affairs	55,146.07	42,353.64	12,792.43

Ministry could not transfer ₹6,840.06 crore to 'Central Road and Infrastructure Fund (CRIF)' citing non-finalisation of accounting procedure. However, the amounts which were to be spent on PMAY scheme were met from GBS. It was also noticed that ₹6,505 crore was not transferred to CRIF during FY 19 owing to same reason.

[37] This is net saving after netting of excess under certain sub-heads.

In addition, savings of ₹2,996.29 crore under 'Mission for 100 Smart Cities' were attributed to less demand for funds and non-fulfilment of required criteria for release of funds. In addition, savings of ₹1,122.72 crore under 'Swachh Bharat Mission' were also attributed to less demands. This was indicative of gaps in scheme performance.

8.	57-Department of School Education and Literacy	1,02,597.83	87,520.84	15,076.99

There were savings due to non-transfer to dedicated funds i.e. of ₹5,061.02 crore to Madhyamik and Uchhatar Shiksha Kosh (MUSK) due to non-finalisation of accounting procedure. However, expenditure had largely been incurred from CFI for the schemes/purposes (to be financed from MUSK) for which the funds were to be transferred. Pertinently, there was non-transfer of funds by ₹4,413.14 crore to MUSK during FY 19 as well owing to the same reason.

Thus, budget provisions were continued to be made without ascertaining if the accounting procedure for the fund had been finalized. Further, replacement of other educational cesses by a single "Health and Education Cess" had also not been considered while making budget provisions for transfer of Cess to related reserve funds.[38]

In addition, there was non-transfer of ₹4,000 crore to National Investment Fund (NIF) due to change of budget provision from NIF to Central Road and Infrastructure Fund (CRIF) on instruction of MoF; and ₹2,071.76 crore to Prarambhik Shiksha Kosh due to expenditure being less under the Samagra Shiksha and Mid-Day Meal Schemes. In addition, savings of ₹875.39 crore under 'Samagra Shiksha-Elementary Education' were due to less receipt of viable proposals under recurring grants and construction activities.

9.	58-Department of Higher Education	54,178.90	36,936.63	17,242.27

Department reported that savings of ₹15,861.83 crore were due to non-transfer of amount to dedicated funds i.e., ₹9,399.03 crore to Madhyamik and Uchhatar Shiksha Kosh (MUSK) due to non-finalisation of accounting procedure and ₹6,462.80 crore to National Investment Fund (NIF) due to reduction of allocation by the MoF and subsequent transfer of funds/expenditure through GBS. However, the expenditure was largely met from CFI directly on schemes which were to be financed from the funds.

In addition, savings of ₹315.20 crore under 'National Education Mission: Rashtriya Uchchatar Shiksha Abhiyan (RUSA)' were due to delay in receipt of utilisation certificates and less receipt of viable proposals from States.

Pertinently, savings of ₹8,195.84 crore was also noticed due to non-transfer of amount to MUSK during FY 19 owing to the same reason.

10.	82-Ministry of Railways	5,00,957.74	4,44,213.53	56,744.21

Savings of ₹43,845.39 crore under revenue section were reported to be mainly due to lesser appropriation to Railways funds and lesser operating expenses under fuel. Savings of

[38] Also refer to Paragraph 2.6.4 on "Health and Education Cess".

₹12,898.82 crore under capital section was stated to be on account of less expenditure than budgeted from Rashtriya Rail Sanrakshan Kosh and other Railways Funds. The Ministry further intimated that the appropriation to Railway Funds had been reduced on account of lower resource availability at RE stage due to less revenue generation.

11.	83-Ministry of Road Transport and Highways	1,66,616.66	1,52,161.35	14,455.31

Savings of ₹5,000 crore were reported under the head 'Monetization of National Highways Fund'. While the Ministry attributed the saving to lower rate of bidding with respect to reserve price, audit of accounting of funds under the above account showed that against estimates of Miscellaneous Capital receipts on account of monetization of national highways of ₹10,000 crore, actual receipts were "nil". Despite this ₹5,000 crore was shown as expenditure on account of transfer to 'Monetization of National Highways Fund' using GBS. This aspect has been dealt with in detail in para 2.7.1.

In addition, ₹1,000 crore was saved on account of 'Block Grant for transfer to Central Road Infrastructure Fund (CRIF)' due to reduction of provision at RE stage by the MoF owing to Covid-19 pandemic and subsequent lockdown. Attribution of savings to Covid-19 pandemic is unacceptable as the pandemic situation emerged after the RE stage. It was also noticed that there was also a short transfer by ₹692.72 core to CRIF during FY 19.

In addition, savings of ₹5,358.16 crore under 'National Highways Authority of India' were due to non-presentation of bills by the concerned regional office of the Ministry owing to lockdown in the last week of March, 2020; ₹1,384.17 crore under 'Maintenance' due to non-completion of work; and ₹1,059.67 crore under 'Other Highways related schemes financed from CRIF' due to slow progress of work on certain projects and non-completion of Ranchi-Vijayawada Road Project.

It was observed that there were similar savings of ₹2,967.89 crore and ₹1,220.24 crore under 'National Highways Authority of India' and 'Maintenance', respectively, during FY 19, thus, indicating lack of rigour in budget formulation and budget execution.

12.	99-Ministry of Women and Child Development	29,669.94	23,179.84	6,490.10

There were savings of ₹1,164.90 crore under 'Anganwadi Services' which were stated to be on account of non-receipt of utilisation certificates and availability of unspent balances of the previous year. This showed that budget was not prepared realistically considering available funds.

In addition, there were savings of ₹711.80 crore under 'Mission for Protection and Empowerment for Women' due to non-receipt of utilisation certificates and receipt of less proposals owing to less demand. In addition, there were total savings of ₹1256.63 crore under 'Integrated Child Development Services (Umbrella ICDS)'. These were stated to be due to non-receipt of utilisation certificates, availability of unspent balances of previous year, less receipt and finalization of proposals, reduction in number of beneficiaries under the scheme, non-revision of norms of scheme, non-conduct of survey under Poshan Abhiyan, less requirement of funds for establishment related expenses, and economy measures. These show that savings were due to gaps in budget formulation and execution and conscious savings measures.

It was also observed that savings under this grant have been persistent with savings of ₹465.62 crore and ₹357.40 crore under 'Mission for Protection and Empowerment for Women' during FY 19 and FY 18, respectively, and of ₹1,034.37 crore under 'Umbrella ICDS' during FY 19.

Out of the 13 Grants/Appropriations with savings of ₹5,000 crore or more in FY 20, six had such substantial savings in FY 19 and FY 18 as well, as shown in **Table 3.5**.

Table 3.5: Savings of ₹5,000 crore or more during FY 18 to FY 20

(₹in crore)

Grant Description	FY 20	FY 19	FY 18
Department of Food and Public Distribution	1,27,066.19	1,08,860.35	48,228.25
Ministry of Railways	56,744.21	18,404.04	50,676
Department of Agriculture, Cooperation and Farmers' Welfare	35,973.85	21,295.20	6,212.80
Department of Health and Family Welfare	23,715.81	4,348.96	5,926.89
Repayment of Debt	*19,840.23*	*1,26,622.11*	*Excess*
Interest Payments	*18,098.59*	*4,437.57*	*90.22*
Department of Higher Education	17,242.27	11,292.39	1,205.36
Department of School Education and Literacy	15,076.99	9,383.05	2,383.21
Ministry of Road Transport and Highways	14,455.31	7,412.99	5,745.64
Ministry of Housing and Urban Affairs	12,792.43	9,380.44	54.10
Department of Economic Affairs	12,378.93	8,860.75	6,200.20
Transfer to States	6,718.00	27,811.48	28,624.33
Ministry of Women and Child Development	6,490.10	2,269.48	2,074.31

Persistent savings of more than ₹5,000 crore in each of the last three FYs

Savings of more than ₹5,000 crore in two of the last three FYs

Persistent savings despite being regularly pointed out in CAG's Audit Reports and the advisory issued by MoF on realistic budgeting taking into account PAC's directions, shows continued lack of due diligence in budget formulation and/or shortfall in budget performance.

3.2.2.2 Other significant savings at minor-head/sub-head level

Audit also scrutinized other significant savings i.e. savings of ₹500 crore or more at minor-head/sub-head level under Grants/Appropriations, and savings of more than

25 *per cent* of allocations subject to a minimum of ₹100 crore other than those dealt with in paragraph 3.2.2.1. Important cases[39] under each grant are discussed in **Table 3.6**.

Table 3.6: Other significant savings at minor-head/sub-head level

(₹in crore)

Sl. No.	Sub-head	Sanctioned provision	Actual disbursement	Savings
Grant No. 3-Atomic Energy				
1.	2801.03.101.07- BWR Fuel for TAPS	664.41	454.96	209.45
The savings were attributed by the Department to delay in receipt of notification of fuel prices and strategic material to be received from other countries. It further stated (September 2020) that future estimates will be made after ascertaining and confirming the actual requirement.				
2.	4861.60.203.44- Fast Reactor Fuel Cycle Facility	750.00	495.79	254.21
Department ascribed the savings to slow progress of civil construction of various plants, delay in delivery of special machinery and equipment from suppliers owing to Covid-19 lockdown. The reply is not acceptable as the lockdown happened at the very end of FY 20.				
3.	6801.00.206.04- Loans to Bhartiya Nabhikiya Vidhyut Nigam Limited	100.00	--	100.00
Department reported that savings were due to non-receipt of Cabinet approval for cost revision of the Prototype Fast Breeder Reactor. Audit noticed that there were savings of ₹100 crore under the scheme during FY 19 also.				
Grant No. 8- Ministry of Civil Aviation				
4.	3053.80.190.03-Air India Purchase of New Aircraft	1,084.00	272.35	811.65
Ministry reported that savings were due to postponement of delivery of aircraft to the next financial year. It was noted that there were savings of ₹920 crore under this sub-head even during FY 19.				
Grant No. 12- Department of Posts				
5.	3201.03.101.03 – Small savings in HPOs	302.02	199.73	102.29
Department reported that savings were due to less expenditure under salaries, wages, OTA, MT, OE, MW etc. than anticipated. The reply is not acceptable as estimates for such recurring items of expenditure should have been prepared considering the past trends.				
6.	3201.07.108.01 – Leave Encashment benefits	552.00	377.58	174.42
The savings were attributed to higher provision at BE stage. Department further added (March 2021) that provisioning of funds were originally projected on basis of trend of expenditure but due to less payment of leave encashment, savings occurred under this head. Considering that leave encashment benefits are a recurring item of expenditure, the trend analysis of past expenditure, if done, should have resulted in better estimation.				

[39] All cases of savings of ₹500 crore or more at minor-head/sub-head level and select cases of savings of more than 25 *per cent* of allocations subject to a minimum of ₹100 crore

Sl. No.	Sub-head	Sanctioned provision	Actual disbursement	Savings
Grant No. 13-Department of Telecommunications				
7.	2071.01.104.01-Ordinary Pensions	2,917.17	2,259.76	657.41
Department reported that savings were due to fewer retirements and receipt of less claims from Department of Post. The reply is not acceptable as such savings can be avoided by streamlining the system of raising and settlement of pension claims between the two Departments under the same Ministry.				
8.	3275.00.103.01-Compensation to Service Providers	6,461.18	2,854.47	3,606.71
9.	3275.00.789.01- Compensation to Service Providers	693.05	--	693.05
10.	3275.00.796.02-Compensation to Service Providers for Universal Service Obligation	359.05	71.53	287.52
11.	3275.00.797.01-Transfer to Universal Service Obligation Fund	8,350.00	2,926.00	5,424.00
Savings were on account of transfer of Universal Access Levy (UAL) to USO Fund being less than what was estimated by ₹5,424 crore which was attributed to less than estimated expenditure on related schemes/projects by the same amount. The explanation is not acceptable, since in terms of the Indian Telegraph (Amendment) Act 2003, subject to Parliamentary approval, entire UAL received is to be transferred to the Fund, which is non-lapsable. For FY 20, against Parliamentary provision of ₹8,350 crore, actual collection was ₹7,962 crore of which only ₹2,926 crore was transferred, leaving a short transfer (actual savings) of ₹5,036 crore. Audit observed that short transfer to the fund and lower than estimated expenditure on the related scheme has been persistent with savings of ₹5,211.78 crore reported in FY 19 and ₹4,636.18 crore in FY 18 due to less than estimated transfers to the Fund.				
Grant No. 17- Ministry of Culture				
12.	2205.00.105.18- Development of Libraries and Archives	105.00	0.00	105.00
Department reported that savings were due to less receipt of proposals from State Governments. The reason indicates deficiencies in scheme implementation as the entire allocation remained untilised.				
13.	2205.00.107.41-Development of Museums	232.19	90.42	141.77
Department reported that savings were due to requirement of less funds in collection management software in Museum Scheme and reduction of provision at RE stage by the MoF.				
Grant No. 24- Ministry of Electronics and Information Technology				
14.	3454.02.206.01-Unique Identification Authority of India	1,227.00	836.78	390.22
Ministry stated that savings were due to requirement of less funds towards establishment and Aadhaar enabled services, less procurement of machinery and equipment and availability of unspent balances of previous year.				

Sl. No.	Sub-head	Sanctioned provision	Actual disbursement	Savings
Grant No. 26-Ministry of External Affairs				
15.	3605.00.101.24 -Investment Promotion and Publicity Programme	300.00	199.88	100.12
Ministry reported that savings were due to receipt of less claims/bills from Exim Bank.				
16.	4059.60.051.17-External Affairs	381.55	253.92	127.63
Ministry reported that savings were due to non-finalization of land acquisition proposals in various countries.				
Grant No. 29-Department of Financial Services				
17.	3465.01.190.08-Assistance to National Credit Guarantee Trustee Company (NCGTC)	500.02	--	500.02
Department reported that savings were due to non-acceptance of U.K. Sinha Committee recommendations towards augmentation of corpus of Credit Guarantee Fund for Micro Units. Audit however, noted that the Committee report had been received in June 2019 itself. Audit also noticed that there were savings of ₹500.01 crore under the same sub-head during FY 19 also.				
18.	5465.01.190.44-Recapitalisation of Public Sector Banks through issue of Government Securities (Bonds)	70,000.00	65,443.00	4,557.00
Department reported that savings were due to requirement of less funds towards Recapitalization of Public Sector Banks.				
Grant No. 31-Department of Revenue				
19.	3602.08.106.01-Compensation for revenue loss to union territory Govt. with legislature	9,000.00	8,298.29	701.71
Department reported that savings were due to less release of Goods and Service Tax compensation to Union Territories.				
Grant No. 32-Direct Taxes				
20.	2020.00.001.03-Organisation and Management Services	825.70	563.52	262.18
The savings were attributed to non-completion of works/services, non-receipt of invoices owing to lockdown, less publication and publicity activities, less procurement of IT related items, requirement of less funds towards IT procurements, medical reimbursement claims and less tours undertaken.				
Grant No. 33-Indirect Taxes				
21.	2042.00.001.05-Directorate General of Tax Payer Services	161.36	22.48	138.88
Department reported that savings were due to non-filling up of vacant posts and requirement of less funds towards advertising owing to sanctioning of less campaigns and programmes. The reply is not acceptable as rules do not allow provisioning for posts vacant for more than a year.				
22.	4047.00.037.03-Preventive & Other Functions	105.00	3.19	101.81
Department reported that savings were due to less acquisition of ships and fleets, non-receipt of proposals for acquisition of anti-smuggling units and non-finalization of project at the fag end of				

Sl. No.	Sub-head	Sanctioned provision	Actual disbursement	Savings
financial year, owing to Covid-19 pandemic. The reasons provided flag deficiencies in performance in the stated activities.				
Grant No. 37-Pensions				
23.	2071.01.102.01-Ordinary Pensions	4,950.00	4,168.43	781.57
Department attributed the savings to receipt of less claims/scrolls. This is not acceptable as it was found during Audit examination that there was an increase in PSB Suspense relating to CPAO, which implied that clearance of pension scrolls was withheld and if these were adjusted, savings could have been avoided. It was also noted that there were savings of ₹1,206.41 crore under the same sub-head during FY 19.				
24.	2071.01.120.01-Pensionary charges recoverable from Govt. of NCT Delhi	3,500.00	2,788.66	711.34
Department reported that savings were due to receipt of less claims.				
Grant No. 48 – Police				
25.	4055.00.210.09-Central Armed Police Force Institute of Medical Science	500.90	250.00	250.90
Ministry reported that savings were due to slow pace of work owing to ban on construction in Delhi and non-finalisation of proposals and stoppage of work owing to Covid-19 lockdown.				
Grant No. 49 – Andaman & Nicobar Islands				
26.	5052.80.796.01-Purchase of ships	104.50	0.06	104.44
Department reported that savings were due to delay in stage completion and delivery of two 500 pax vessel by Cochin Shipyard Limited. The reason shows inadequate performance levels.				
Grant No. 59 - Ministry of Information and Broadcasting				
27.	2221.80.102.05- Broadcasting Infrastructure and Network Development (BIND)	358.00	235.40	122.60
Ministry reported that savings were due to reduction of provision at RE stage by the MoF. Audit observed that a provision of ₹115.00 crore was also available for this scheme under non-functional head, thus total allocation for this scheme was ₹473.00 crore. Further, Audit noticed slow pace of expenditure by Prasar Bharti under this scheme. Ministry replied (January 2021) that the pace of expenditure by Prasar Bharti was slow owing to necessity to follow procedural requirements which at times resulted in tender cancellation. This reply is not reasonable as at the time of preparing estimates, all procedural requirements are expected to be factored into.				
Grant No. 60 - Department of Water Resources, River Development and Ganga Rejuvenation				
28.	3435.04.101.08-National Ganga Plan	700.00	353.40	346.60
The savings were ascribed to availability of unspent balances of previous year with the implementing agencies. The reason is unacceptable as there were savings of ₹1,612.50 crore and ₹1,550.00 crore under 'National Ganga Plan' during FY 19 and FY 18, respectively, owing to same reason. Therefore, at the time of preparing estimates, the Department should have considered the issue of unspent balances.				

Sl. No.	Sub-head	Sanctioned provision	Actual disbursement	Savings
Grant No. 62 - Ministry of Labour and Employment				
29.	2230.01.111.06-Social Security Schemes	820.88	524.34	296.54
Ministry reported that savings were due to less demand by LIC in the scheme of 'Pradhan Mantri Shram Yogi Maandhan' and 'Pradhan Mantri Karam Yogi Maandhan'. The reason shows that there were deficiencies in the performance of the schemes.				
Grant No. 69-Ministry of New And Renewable Energy				
30.	2810.00.101.01- Grid Interactive Renewable Power	3,224.15	2,437.52	786.63
31.	2810.00.789.05-Grid Interactive Renewable Power	320.01	175.15	144.86
32.	2810.00.796.03-Grid Interactive Renewable Power	350.00	205.79	144.21
Ministry reported that savings were due to delay in finalization of projects, non-receipt of adequate proposals from North Eastern States, delay in finalization of projects in the States, non-receipt of adequate proposals from Solar Energy Corporation of India/States towards development of various schemes and reduction of provision at RE stage by the MoF. These reasons show that there were gaps in project formulation, execution and monitoring of related projects which led to savings under the grant.				
Grant No. 70- Ministry of Panchayati Raj				
33.	3601.06.101.63- Rashtriya Gram Swaraj Abhiyan	441.48	291.27	150.21
Ministry reported that savings were due to receipt of less proposals from the State Government and reduction of provision at RE stage by the MoF.				
Grant No. 74-Ministry of Petroleum and Natural Gas				
34.	2802.02.800.02-Gas Authority of India-Phulpur Dhamra Haldia Pipeline Project	3,104.22	1,552.11	1,552.11
The savings are on account of transfers to CRIF of ₹1,552.11 crore (₹1,206.60 crore in BE plus ₹345.51 crore through supplementary) not being accounted by the Ministry. Equal funds were, however, spent on the project. Audit scrutiny showed that entire provision in DDG was wrongly made under minor head-800 instead of providing ₹1,552.11 crore towards transfer to CRIF under minor head-797. The accounting in this case was also in violation of accounting procedure for CRF (also being applied to CRIF).				
35.	4802.01.800.02- National Seismic Programme	1,623.26	529.54	1,093.72
Ministry reported that savings were due to less utilization of funds owing to difficulties in survey of in-accessible areas and non-receipt of adequate proposals from Oil India Limited and Oil and Natural Gas Corporation. The reason is not acceptable as the expenditure incurred during the last two years on this scheme was also much lower than estimates which should have guided estimation of requirements of funds for the FY 20.				

Sl. No.	Sub-head	Sanctioned provision	Actual disbursement	Savings
Grant No. 76 - Ministry of Power				
36.	2801.05.106.01- Scheme for Power System Development to be met from PSDF	1,034.70	555.32	479.38
37.	2801.05.797.01- Transfer to Power System Development Fund (PSDF)	1,034.71	555.32	479.39
Ministry reported that savings were due to receipt of less claims from National Load Dispatch Centre (Nodal Agency) as there were funds available from the EBR raised in the previous financial year. The reason is not acceptable as at the time of budget formulation the Ministry ought to have ascertained the actual position of EBR to frame a realistic BE especially in view of the fact that during the last few years, the actual average expenditure was much lower than the BE for FY 20.				
Grant No. 84 -Department of Rural Development				
38.	2216.03.105.08-Indira Awaas Yojana-Programme Component	2,586.44	1,594.05	992.39
Department reported that savings were due to requirement of less funds towards interest component and receipt of fewer proposals from implementing agencies. It further stated that expenditure is demand-driven and releases depend on the quantum of activities undertaken which may vary from year to year. However, it was noted that savings have persisted under this head with savings of ₹536.63 crore during FY 19 and ₹121.19 crore during FY 18. This shows that lessons were not learned from past years and pace of expenditure was not correctly assessed while making provisions.				
39.	3601.06.101.30-Pradhan Mantri Gram Sadak Yojana	14,215.79	10,642.86	3,572.93
40.	3601.06.797.05-Transfer to Central Road Fund/Central Road Infrastructure Fund	14,170.64	10,642.86	3,527.78
Department reported that savings were due to less demands from States leading to less expenditure on the scheme as well as equivalent less transfer to CRIF. It was also noticed that there were savings of ₹1,857.78 crore and ₹ 430.14 crore under this sub-head during FY 19 and FY 18, respectively.				
41.	2216.03.105.10 – Interest Subsidy	384.01	48.55	335.46
Department reported that savings were due to non-receipt of demand for interest repayment from NABARD under the Rural Housing Interest Subsidy Scheme. It was also noticed that there were savings of ₹384 crore each under this sub-head during FY 19 and FY 18. The persistent substantial savings indicate lack of scheme performance.				
42.	2505.02.101.09-National Rural Employment Guarantee Scheme-Capacity Building and Technical Support	400.00	3.97	396.03
Department reported that savings were due to less of proposals from the State Governments. It was also noticed that there were savings of ₹377.93 crore and ₹259.25 crore under this sub-head during FY 19 and FY 18. This shows that past trends were not considered during budget formulation.				

<table>
<tr><th>Sl. No.</th><th>Sub-head</th><th>Sanctioned provision</th><th>Actual disbursement</th><th>Savings</th></tr>
<tr><td>43.</td><td>2515.00.800.25-Management Support to Rural Development Programmes and Strengthening District Planning Process</td><td>338.69</td><td>139.33</td><td>199.36</td></tr>
<tr><td colspan="5">The savings were attributed to receipt of less proposals. It further stated (January 2021) that savings was due to non-receipt of re-imbursement claims from DAVP against the letter of authorization issued during year owing to non-implementation of C&S Media Plan.
It is noticed here that the reasons provided by Department are vague.</td></tr>
<tr><td>44.</td><td>3601.06.101.29-Shyama Prasad Mukherjee RURBAN Mission</td><td>579.63</td><td>281.97</td><td>297.66</td></tr>
<tr><td colspan="5">Department reported that savings were due to less demands from States. It further stated (January 2021) that all States had not fulfilled the conditions for release of next installment.
Pertinently, savings of ₹509 crore and ₹238.44 crore were noticed under this sub-head during FY 19 and FY 18 respectively.</td></tr>
<tr><td colspan="5">Grant No. 89 - Ministry of Shipping</td></tr>
<tr><td>45.</td><td>3056.00.190.01-Grant to Inland Waterways Authority of India</td><td>363.36</td><td>219.00</td><td>144.36</td></tr>
<tr><td colspan="5">Ministry reported that savings were due to difficulties in land acquisition for a few approved projects viz., Phase-II of the Multi Modal Terminal at Varanasi (costing ₹260 crore) and Freight Village at Varanasi (costing ₹100 crore) and due to non-procurement of certain vessels.
The reasons provided by Ministry are not tenable as they simply delineate logistical problems that should have been anticipated earlier as these schemes/projects were already existing at the time of budget formulation for FY 20.</td></tr>
<tr><td colspan="5">Grant No. 90 - Ministry of Skill Development and Entrepreneurship</td></tr>
<tr><td>46.</td><td>3601.06.101.36-Pradhan Mantri Kaushal Vikas Yojana</td><td>470.89</td><td>286.34</td><td>184.55</td></tr>
<tr><td colspan="5">Department reported that savings were due to non-receipt of utilization certificates and late approval of projects. Audit also noticed savings of ₹393.18 crore under this sub-head during FY 19.</td></tr>
<tr><td colspan="5">Grant No. 91 - Department of Social Justice and Empowerment</td></tr>
<tr><td>47.</td><td>2225.01.789.05-National Fellowship for SCs</td><td>360.00</td><td>246.66</td><td>113.34</td></tr>
<tr><td colspan="5">Department reported that savings were due to requirement of less funds by University Grants Commission. The reasons given are vague in nature and do not explain reasons for lower requirement.</td></tr>
<tr><td>48.</td><td>4225.01.789.02-National Finance Development Corporation for Weaker Sections</td><td>215.00</td><td>49.60</td><td>165.40</td></tr>
<tr><td colspan="5">The savings were ascribed to non-increase of Authorized Share capital of NSFDC owing to non-holding of meeting of Expenditure Finance Committee.</td></tr>
<tr><td colspan="5">Grant No. 93 - Department of Space</td></tr>
<tr><td>49.</td><td>5402.00.101.56-Indian Space Research Organisation Headquarters (ISRO)</td><td>164.95</td><td>37.25</td><td>127.70</td></tr>
<tr><td colspan="5">Department reported that savings were due to requirement of less funds for purchase of land at Bangalore and non-utilisation of funds allocated for substation work. It further stated (September 2020) that transfer of land at Bengaluru, for housing and major technical facilities of ISRO, was held up for want of ‘NOC’ from the Government of Karnataka.</td></tr>
</table>

Sl. No.	Sub-head	Sanctioned provision	Actual disbursement	Savings
The reply is not acceptable as the same reason was provided by the Department for savings of ₹728.62 crore during FY 19.				
50.	5402.00.101.66-GSLV-Mk-III Continuation Programme (Phase-I)	248.00	122.95	125.05
Department reported that savings were due to postponement of delivery of hardware to the next financial year and realization plan of GSLV-Mk-III Continuation Programme (Phase-I). It further stated (September 2020) that this was done in view of the launch schedule as GSLV Mk-III Human rated vehicles which were being realized for the Gaganyaan Programme.				
Grant No. 96-Ministry of Textiles				
51.	2852.08.202.65-Amended Technology Up-gradation Fund Scheme	700.00	317.90	382.10
Ministry reported that savings were due to non-receipt of claims and delay in finalization of proposals. It further admitted (October 2020) that the final settlement of claims and release of subsidy was very low owing to procedural complexities in the scheme. It is observed that there were savings of ₹1,684.32 crore under this sub-head during FY 19. Thus, budget formulation should have included trend of less expenditure and other stated complexities.				
Grant No. 97 - Ministry of Tourism				
52.	3452.01.101.14 – Swadesh Darshan – Integrated Development of Theme based Tourist Circuits	826.00	510.93	315.07
Ministry reported that savings were due to reduction of provision at RE stage by the MoF.				
53.	3452.80.104.01 – Direct Expenditure	557.50	408.91	148.59
Ministry reported that savings were due to less publicity and promotional programmes undertaken and reduction of provision at RE stage by the MoF.				

3.2.2.3 Summing up of Savings

Cases of savings discussed in paragraphs 3.2.2.1 and 3.2.2.2 have been summarised in **Table 3.7** based on broad reasons for the savings.

Table 3.7: Summary of savings

Category	Amount (₹ in crore)	Remarks
Due to regulation of expenditure	1,65,250	This category mainly includes ₹76,000 crore due to reduction of provision at RE stage for Food subsidy by MoF owing to sanction of NSSF loan in lieu thereof to Food Corporation of India; ₹50,000 crore due to non-release of Ways and Means Advance to FCI; and short transfer of ₹27,473.27 crore to NIF/CRIF.
Reasons representing gaps and shortfalls in performance in schemes and activities	94,289	This included reasons like registration of less farmers under the scheme; receipt of less proposals/claims; non-taking-off of new schemes; non-receipt of viable proposals; less demands and non-fulfilment of required criteria for release of funds; non-receipt of utilisation certificates; gaps in scheme delivery, etc.

Unrealistic budget estimation	58,097	This comprises savings due to factors such as softening of interest rates owing to cut in Policy/ Repurchase Rate by RBI; reassessment of expenditure priorities; availability of unspent funds; in accurate/inflated assessment of requirements both with regard to quantum and timing viz., lump sum provisions for schemes , provisions for expenditure on aircraft , purchase /acquisition of land, etc.
Non-transfer of funds to Reserve Funds	21,300	Entire provision for transfer to Madhyamik and Uchhattar Shiksha Kosh (MUSK) was not utilised. MoHUA did not transfer ₹6,840.06 crore to Central Road and Infrastructure Fund (CRIF) due to non-finalisation of accounting procedures. However, expenditure had largely been incurred from CFI for the schemes/purposes (to be financed from these funds) for which the funds were to be transferred, etc. *It is recommended that finalisation of accounting procedure may be expedited and pending the same, the concerned accounting authorities may be advised of the correct procedure to be followed..*

3.3 Unnecessary supplementary provisions

Article 115(1) of the Constitution stipulates that Supplementary Grant or Appropriation is required to be obtained before payment is made, when savings are not available within a Grant segment for meeting additional requirement of funds or if the expenditure is to be made on 'New Service[40]' or 'New Instrument of Service[41]'.

Examination of cases where supplementary provision of ₹10 crore or more was made in addition to original provisions, showed that in 25 minor/sub-heads under 14 Grants, supplementary provisions amounting to ₹2,168.90 crore were obtained during FY 20 in anticipation of higher expenditure, but final expenditure was even less than the original provisions. Such unnecessary provisioning indicates inadequacies of the budgeting exercise. Details of cases of unnecessary supplementary provisions are given in **Annexure 3.3**.

3.4 Injudicious re-appropriation to minor/sub-heads

PAC in its 83rd Report (15th Lok Sabha, 2012-13) noted that re-appropriation of funds can be made only when it is positively known or genuinely anticipated that the appropriation for the unit from which funds are proposed to be transferred will not at all be utilised in full or there is reasonable certainty that savings can be effected in the unit of appropriation.

Scrutiny of re-appropriation exceeding ₹10 crore revealed that in 14 cases across 08 Grants/ Appropriations, re-appropriations aggregating to ₹2,166.61 crore were injudicious as the sanctioned provision under the minor/sub-heads to which augmentation was made by way of re-appropriation was adequate. As a result of such

40 Refers to expenditure beyond certain limit arising out of a new policy decision not brought to the notice of Parliament earlier, including a new activity or a new form of investment.

41 A large expenditure beyond a certain limit arising out of an important expansion of an existing activity.

injudicious re-appropriation, the final savings under the heads were more than the amount re-appropriated to these heads. Details are given in **Annexure 3.4**.

3.5 Expenditure incurred without adequate provisioning of funds

As per Rule 61 of GFR, 2017, the Accounts Officer shall not allow any payment against sanctions in excess of the Budget provisions without the specific approval of the Chief Accounting Authority. In turn, before approving any excess under a head, the Financial Advisers and Chief Accounting Authorities shall ensure availability of funds through Re-appropriation/Supplementary Demand for Grants.

Audit scrutiny of head-wise Appropriation Accounts for FY 20 showed that excess expenditure of ₹25 crore or more aggregating to ₹41,810.39 crore, was noticed under 42 minor/sub-heads relating to 12 Grants/Appropriations, without ensuring adequate provisioning of funds. Thus, the above-mentioned authorities violated the GFR. Details are given in **Annexure 3.5**.

Pertinently, Department of Post, Department of Telecommunications, Ministry of Defence, and Ministry of Finance (Grant 35-Interest payments) had allowed excess expenditure of more than ₹25 crore at minor/ sub-head level.

3.6 Non-surrender and surrender of savings on last day of the financial year

Rule 62 (2) of GFR, 2017 stipulates that the savings as well as provisions that cannot be profitably utilized shall be surrendered to Government immediately as foreseen without waiting till the end of the year. Accordingly, MoF stipulated (February 2020) a deadline of 20 March for Ministries/Departments for intimating to it all surrenders of savings under each unit of Appropriation.

Audit noted that out of savings of ₹3,15,769.10 crore under Civil Grants/ Appropriations, 23.4 *per cent* (₹73,750.31 crore) of total savings during the year were not surrendered and were allowed to lapse.

In addition, examination of Grants/Appropriations having surrenders/ lapsed amounts of ₹100 crore or more revealed that at least ₹1,70,103.02 crore relating to 33 Grants/ Appropriations was either surrendered on 31 March 2020 or was allowed to lapse. Details are given in **Annexure 3.6.** Thus, more than half the total savings were either surrendered on 31 March 2020 or were allowed to lapse.

Out of savings under various test-checked Grants/Appropriations, ₹35,973.85 crore under Grant No. 01-Department of Agriculture, Cooperation and Farmers' Welfare; ₹23,715.81 crore under Grant No. 42-Department of Health and Family Welfare; ₹19,840.23 crore under *Appropriation No. 36-Repayment of Debt*; ₹17,242.27 crore under Grant No. 58-Department of Higher Education and ₹15,077 crore under Grant No. 57-Department of School Education and Literacy were either allowed to lapse or were surrendered on the last day of the year.

Failure to surrender savings and surrender on the last day of the financial year indicates inadequate financial control. This also adversely impacts financial planning as it prevents resources from being re-allocated for activities where requirements for funds exist.

3.7 Failure to obtain Legislative approval for augmenting provisions

MoF stipulated[42] that augmentation of provision by way of re-appropriation to the object heads (i) 'Grants-in-aid' (ii) 'Subsidies' and (iii) 'Major Works' would attract the same limitation as applicable to New Service/New Instrument of Service and it can be done only with prior approval of Parliament. Failure to observe these orders have been pointed out time and again in CAG's Audit Reports on Union Government Accounts.

In this context, PAC[43] was of the view that MoF should institute mechanisms for ensuring that provisions under the above object heads beyond specified limits are not augmented without approval of Parliament. Despite the previous audit findings and PAC recommendations, excess expenditure over total authorisation aggregating to ₹53.69 crore occurred in the following two cases under grants pertaining to Ministry of Defence (Civil) and Department of Rural Development related to object head-'Grants-in-aid' during FY 20, without prior approval of the Parliament as detailed in **Table 3.8**.

Table 3.8: Augmentation of provision to object heads without prior approval

(₹in crore)

Sl. No.	Head of Account	TA*	TE*	Excess over TA
Object Head 31-'Grants-in-aid-General'				
Grant No. 18-Ministry of Defence (Civil)				
1.	2052.00.092.03.01.31 (Other offices-Defence Estate Organisation) (Code head 094/83)	317.16	370.10	52.94
Object Head 35-'Grants for creation of Capital Assets'				
Grant No. 84-Department of Rural Development				
2.	2505.02.101.02.00.35 (NREGS-Assistance to District Rural Development Agencies/ District Programme)	48,851.81	48,852.56	0.75
	Department stated (September 2020) that Mahatma Gandhi NREGA is a demand driven wage employment scheme and funds are released to the States/UTs as per their demands.			
Total				**53.69**

* TA = Total authorisation, TE= Total expenditure

3.8 Misclassification of expenditure

Article 112(2) of the Constitution stipulates that the Annual Financial Statements shall distinguish expenditure on revenue account from other expenditure. The principles for classifying the expenditure on Revenue account and Capital account should accordingly be adhered to.

Rule 78 of GFR, 2017 stipulates that classification of transactions in Government Accounts shall have closer reference to functions, programmes and activities of the

[42] Department of Economic Affairs orders (May 2006) and clarifications thereon (May 2012 and July 2015)

[43] PAC 83rd Report (2012-13), 15th Lok Sabha

Government and the object of expenditure, rather than the department in which the receipt or expenditure occurs. Further, Rule 8 of the Delegation of Financial Powers Rules, 1978 (DFPR) describes the nature/type of transactions that can be classified under each standard primary unit of appropriation.

Test-check of transactions pertaining to selected Grants revealed the following:

3.8.1 Incorrect use of object heads with major heads

Rule 8 of the DFPR specifies object heads (numbers 51-56 and 60) that fall under the category 'object class VI' which pertains to acquisition of Capital Assets and other Capital Expenditure. These object heads can, therefore, only be used for classifying expenditure of capital nature and correspond only with capital major Heads. Object heads falling under other object classes (class I to V) are generally used for classifying revenue expenditure and should ordinarily not correspond with the capital Major Heads.

Audit examination revealed that in the case of Grant No. 03-Department of Atomic Energy and Grant No. 89-Ministry of Shipping for the year FY 20, expenditure aggregating ₹2,505.13 crore was booked under incorrect combinations of object heads and capital/revenue Major Heads (**Annexure 3.7**).

3.8.2 Misclassification between revenue and capital expenditure

Rule 84 of GFR, 2017 stipulates that charges on maintenance, repair, upkeep and working expenses required to maintain assets in a running order and expenses on day to day running of an organization, shall be classified as revenue expenditure.

Audit test-check revealed one case of incorrect classification of expenditure of revenue nature aggregating to ₹2.92 crore, as capital expenditure. In addition, under two Grants: Grant No. 82-Railways and Grant No. 93-Department of Space, expenditure of capital nature aggregating to ₹52.11 crore, was incorrectly classified as revenue expenditure **(Annexure 3.8)**.

3.8.3 Misclassification between primary units of appropriation

Audit test-check disclosed that in 16 cases, funds aggregating to ₹530.64 crore were misclassified between primary units of appropriation. Cases of misclassification of ₹25 crore and above included misclassification of '55-Loans and Advances' as '31-Grants-in-aid-General' (₹225 crore-Transfer to Delhi); misclassification of '33-Subsidies' as '31-Grants-in-aid-General' (₹99.00 crore-Department of Heavy Industry); misclassification of '30-Other Contractual Services' as '28-Professional Services' (₹95.68 crore-Department of Space); incorrect booking of expenditure related to works (₹29.18 crore-Capital Outlay on Defence Services); incorrect booking of expenditure on hiring of specialized agencies during international conferences under '13-Office Expenses', '20-Other Administrative Expenses', '50-Other Charges' instead of '28-Professional Services' (₹27.90 crore, Ministry of Environment, Forest & Climate Change (MoEFCC)).

MoEFCC accepted the misclassification and assured future compliance. Department of Space stated that the expenditure was booked according to its own compendium on classification of expenses.

3.8.4 Misclassification due to non-operation of relevant sub-head

According to DoPT instructions, booking of various expenditures pertaining to Departmental canteens are to be done under the appropriate object heads under a new sub-head 'Departmental Canteens' below minor head 800-'Other Expenditure'. This is to be done under the Major Head of account to which the revenue expenditure of the related Ministry/Department is ordinarily debited and exhibited as such in the detailed Demands for Grants.

Scrutiny of Grant No. 93-Department of Space (DoS) for the year FY 20 revealed that PAO-ISRO Telemetry, Tracking and Command Network had incurred expenditure aggregating to ₹2.92 crore on maintenance of departmental canteen and had booked the same under head 3402.00.101.26 instead of booking it under a separate sub-head below 3402.00.800 (Other expenditure), as required under the extant instructions.

DoS stated (September 2020) that the canteens functioning under it are run by the Department and are not covered by DoPT instructions. The reply is not acceptable as DoPT is the nodal ministry for department canteens and had directed the opening of a separate sub-head for booking expenditure on Departmental canteens.

3.8.5 Misclassification related to booking of electricity expenditure

Scrutiny of Grant No. 23- Ministry of Earth Sciences (MoES) for the year FY 20 revealed that Ministry had booked the electricity charges of its new headquarter building aggregating to ₹1.33 crore during FY 20 under the Central Sector Scheme 'Research, Education and Training Outreach' head (3425.60.200.52). This expenditure should have been provisioned and booked under head- 'Secretariat Economic Services- Secretariat-Ministry of Earth Sciences, Headquarter' (3451.00.090.17).

Ministry stated (September 2020) that expenditure on electricity had been booked from OE under 'Research, Education and Training Outreach' head which pertained to the Ministry Headquarters.

The reply is not acceptable as the expenditure of Ministry and its offices should have been booked under the Major Head-3451 (Secretariat-Economic Services).

3.9 Other instances of irregular budgeting and accounting

3.9.1 Non-adjustment of pension expenditure

(A) Defence Pension expenditure

A mention was made in Para 2.3.2.1 (b) of the Report No. 4 of 2020 of the CAG of India on the Accounts of the Union Government for the year FY 19 wherein it was brought out that Pension scrolls amounting to ₹14,000 crore had not been cleared.

Audit of the accounting of Defence Pension expenditure showed that the practice of not clearing Pension scrolls was continued during FY 20. It was observed that Pension scrolls for a sum of ₹17,045.71 crore (approximately) had not been cleared and finally booked under the relevant expenditure head by the Ministry. It was explained that this had not been done due to insufficient budget provision for Defence Pension during FY 20. These scrolls were also reported to have been subsequently booked during FY 21.

CGDA accepted the above observation and stated (September/October 2020) that it had projected RE for FY 20 of ₹1,34,056 crore, but the MoF provided RE for ₹1,17,810.44 crore only. Ministry further stated (January 2021) that the projections under Defence Pensions were forwarded to MoF for favourable consideration. However, expenditure had to be kept within the approved ceiling as per the instructions of MoF. Regarding pending pension scrolls, it stated that all pending scrolls pertaining to FY 19 and FY 20 had already been booked.

The reply is not acceptable as not clearing pension scrolls in the accounts of relevant financial year, resulted in understatement of expenditure and postponement of liability to subsequent year(s).

(B) Civil Pension expenditure

As discussed in paragraph 2.3.1.2, an amount of ₹9,745.49 crore was lying under PSB Suspense head in the books of Central Pension Accounting Office (CPAO). It was also observed that this uncleared suspense balance had increased almost three-fold since FY 18. This outstanding balance had the effect of understating the pension expenditure by the amount lying as suspense balance.

3.9.2 Supplementary grants in breach of rules

As per para 4 of Appendix-3 below Rule 52 of GFR, 2017 (Instructions for preparation of detailed estimate of expenditure from Consolidated Fund of India), no lump sum provision will be made in the budget except where urgent measures are to be provided for meeting emergent situations or for meeting preliminary expenses on a project/ scheme, which has been accepted in principle for being taken up in the financial year.

Scrutiny of head-wise Appropriation Accounts of Grant No. 48 pertaining to Police for FY 20 revealed that supplementary grant of ₹3,387.49 crore in the first batch (notified on 20 December 2019) and ₹2,903.16 crore in the second batch (notified on 25 March 2020) was obtained from the Parliament while giving only object-head wise requirement of fund instead of scheme/ sub-scheme/ organization-wise itemized amounts.

Ministry stated (August 2020) that supplementary grants are always provided on a lump sum basis for each Major Head under the notes section in the format seeking supplementary demand. It further added (October 2020) that providing scheme-wise itemized amounts would be cumbersome and not in line with the guidelines/ instructions of Ministry of Finance.

Reply is not acceptable as lump sum supplementary without furnishing scheme/sub-scheme/organisation-wise details was in contravention of the provisions of GFR.

3.9.3 Expenditure incurred on interest on refunds of taxes

Article 114(3) of Constitution of India stipulates that no money shall be withdrawn from the Consolidated Fund of India (CFI) except under appropriation made by the legislature. Payment of interest on refunds of excess tax is a charge on the CFI and is, therefore, payable only after having been authorized under the due appropriation made by law. As per Article 266 of the Constitution, there is no legal authority to withdraw the 'interest' on excess tax collected/refunds without recourse to the Appropriation law passed by the Parliament. Further, Rule 8 of the DFPR, describes 'interest' as the primary unit of appropriation for classification of interest expenditure.

It was noted that there was no budget provision for interest on refunds in the Budget Estimates for FY 20. The Central Board of Direct Taxes (CBDT) and Central Board of Indirect Taxes and Customs (CBIC), however, incurred expenditure on interest on refunds of taxes amounting to ₹22,746.75 crore and ₹88.26 crore respectively during FY 20 without taking recourse to provisions of the Constitution and instead such payment was shown as reduction in Revenue.

Department of Revenue/CBDT/CBIC has been classifying interest on refunds of excess tax as reduction in revenue. This erroneous practice has been highlighted in successive CAG's Audit Reports on Union Government Accounts as well as in CAG's Reports on Direct Taxes. However, no remedial steps have been taken by the Department.

It was observed that this issue was examined by the PAC, which in its 66th Report (15th Lok Sabha 2012-13) had disapproved of the practice. Later, in its follow-up Report (96th Report of 15th Lok Sabha 2013-14, dated 31 January 2014) after considering the opinion rendered by Ld. Attorney General (06 May 2013) and later testimony to it, the Committee came to the conclusion that the Department of Revenue has no option other than seeking *ex ante* approval under Articles 114 and 115(1)(a) or seeking *ex post facto* approval of Parliament under Article 115(1)(b) of the Constitution for the payment of interest made as refund of taxes.

Audit noted that despite the stand of PAC on the issue and repeated observations on the matter in the audit reports of the CAG, the practice of not making budget provision for payment of interest on refunds and not obtaining Parliament's approval for the same has persisted in FY 20.

The Department in its fresh replies (January 2021 and February 2021) has continued to reiterate primarily on the basis of opinion of Ld. AG of 06 May 2013, that the refund of excess tax and interest thereon is not an expenditure within the meaning of Article 112. It has also pointed out that based on the above mentioned opinion of the Ld. AG, the Department with the approval of the Finance Minister, has not accepted the recommendations contained in the 96th Report of the PAC (15th Lok Sabha).

However, in the context of the above, it is reiterated that the PAC had already considered the opinion of the Ld. AG while making its recommendations and noted that the Ld. AG had deposed that "an opinion ultimately is an opinion and it is for the Committee to decide what the correct procedure is."

3.9.4 Unsanctioned Expenditure under Ministry of Railways

Expenditure incurred by Indian Railways in excess of sanctioned estimates, expenditure incurred without detailed estimates and miscellaneous overpayments etc. are recorded in objection books by the Zonal Railways administration and treated as unsanctioned expenditure. During FY 20, unsanctioned expenditure of ₹4,999.87 crore involving 3426 cases was incurred by Indian Railways, while in FY 19 there was unsanctioned expenditure of ₹5,003 crore covering 3464 cases. Thus, no steps had been taken to improve the situation.

3.10 Response of the Government

This Report was shared with the Secretary, Department of Expenditure, Ministry of Finance and CGA for their comments during January / February / March 2021. Responses were also sought from various Ministries/ Departments in respect of issues concerning them. Replies received from the Ministries/ Departments/ CGA have been suitably incorporated in the Report.

New Delhi
The 14 July 2021

(MANISH KUMAR)
Director General of Audit
Finance and Communications

Countersigned

New Delhi
The 16 July 2021

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India