सत्यमेव जयते

Report of the Comptroller and Auditor General of India for the year 2018-19

लोकहितार्थ सत्यनिष्ठा
Dedicated to Truth in Public Interest

Union Government
Accounts of the Union Government
No. 4 of 2020
(Financial Audit)

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Comptroller and Auditor General of India

for the year 2018-19

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Contents

PREFACE

This Report for the year ended March 2019 has been prepared for submission to the President under Article 151 of the Constitution.

The Report includes matters arising from test audit of the Finance Accounts and the Appropriation Accounts of the Union Government for the year ended March 2019.

HIGHLIGHTS

HIGHLIGHTS

This Report of the Comptroller and Auditor General of India (CAG) on the accounts of the Union Government analyses the Union Government Finance Accounts (UGFA) and the Appropriation Accounts of Union Civil Ministries, Defence Services, Postal Services and Railways. The report gives an overview on Union Government Finances for the year 2018-19 and consists of observations of the CAG on the UGFA and on the Union Government Appropriation Accounts for the year 2018-19.

Chapter 1: Overview of Union Finances

- Actual revenue receipts fell short of revised estimates by ₹1,86,382 crore (9.35 *per cent*). As a result of this shortfall, despite compression of revenue expenditure as compared to revised estimates (RE) by ₹1,42,942 crore (5.94 *per cent*), the actual revenue deficit was higher than anticipated by ₹43,440 crore. This combined with higher shortfall in recoveries of loans and advances compared with the shortfall in disbursement, resulted in a higher than anticipated fiscal deficit of ₹15,609 crore. Audit analysis revealed that even though there were clear trends indicating shortfalls in revenue and expenditure as at the end of December 2018, these were not factored in while framing RE. As a result, actuals of both non-debt receipts and expenditure fell short of REs; this is indicative of an unrealistic assessment of financial resources.

  (Para 1.2.1)

- During 2018-19, the Union Government mobilized ₹1,11,98,260 crore. Of this, 81 *per cent* was deployed for committed expenditure viz repayment of debt; discharge of Public Account liabilities; interest payments and mandatory transfer of tax receipts to States. After Grants-in-aid to States/ UTs and accounting for the closing cash balance, only 16 *per cent* of the resources were available for all other expenditure of the Government of India.

  (Para 1.2.3)

- In comparison to 2017-18, total receipts of the Union Government grew by three *per cent*. Of this, non-debt receipts grew by 3.75 *per cent* and debt receipts grew by 3.12 *per cent*, while capital receipts fell by five *per cent*. Both Tax Revenue Receipts and Non-Tax Revenue Receipts increased by six and ten *per cent* respectively, over the previous year.The largest contributor to the increase in non-tax revenues was 'Dividend and Profits'.

  (Para 1.2.4)

- During 2018-19 total expenditure increased by four *per cent* (₹3,60,765 crore). Of this; revenue expenditure increased by 5.67 *per cent* and capital expenditure by 22.89 *per cent* over the previous year. Increase in capital expenditure was largely due to bank "recapitalisation".

(Para 1.2.4)

- The Union Government's total investment in Statutory Corporations Government Companies, Co-operative Banks and Societies etc., increased by ₹1,93,150 crore during 2018-19. During the same year, the Union Government received ₹72,620 crore from disinvestment.

(Para 1.3.1 and 1.3.2)

- Total Public Debt of Union Government grew from ₹59,69,968 crore as on 31 March 2017 to ₹66,51,365 crore (11.41 *per cent*) as on 31 March 2018 and further to ₹73,44,902 crore (10.42 *per cent*) as on 31 March 2019. As on 31 March 2019, the total outstanding Guarantees given by the Union Government was ₹4,47,626 crore.

(Para 1.3.3 and 1.3.4)

- Against the ₹8,82,119 crore reflected in Statement 13 of the UGFA, actual outstanding Public Account liabilities as on 31 March 2019 as worked out by Audit amounted to ₹18,12,015 crore (₹15,09,505 crore as Small Savings and Provident Fund and ₹3,02,510 crore as other obligations).

(Para 1.3.5)

Chapter 2: Observations on the Finance Accounts (UGFA)

Issues of transparency and disclosures

- There was persistent and indiscriminate use of Minor Head 800 "Other Expenditure" / "Other Receipts" resulting in lack of transparency in the UGFA. In respect of 11 expenditure Major Heads, expenditure of ₹7,428 crore, constituting more than 50 *per cent* of the total expenditure booked under these heads, was accounted for under Minor Head 800. Such avoidable booking of expenditure in excess of 50 *per cent* of total expenditure, has persisted for several years under four Major Heads. In 24 receipt Major Heads, receipts amounting to ₹13,678 crore, representing over 50 *per cent* of the total receipts booked under these heads, were booked under Minor Head 800. Such avoidable booking has persisted, despite being pointed out by Audit, in the case of 12 Major Heads/ functions for last several years. The wrong booking of tax revenue of ₹3,531 crore under Minor Head 800 despite the existence of correct Minor Heads, adversely impacted the calculation of net proceeds and their assignment to States.

(Para 2.2.1)

- Critical information relating to total Public Account liabilities; External Debt at current exchange rates; Revenue Deficit and difference with RBI's closing cash balance have been persistently disclosed for years through footnotes in the UGFA rather than in the body, affecting the transparency of the accounts. Further, the UGFA depicted information on significant transactions through 317 footnotes, and these were mainly brief and cryptic. In many instances, footnotes stated that the matter was under reconciliation, and Audit noticed that the footnotes were unchanged over the previous years also, indicating that no efforts had been made towards such reconciliation.

(Para 2.2.2)

- Statement 13 of the UGFA is opaque since it depicts only the net of the credit/ debit balances under suspense heads instead of showing the credits and debits separately. This has resulted in significant understatement of suspense balances both at Major and Minor Head levels.

(Para 2.2.3)

Issues relating to accuracy of accounts

- Through a Journal Entry after the close of the year, Accounting Authorities transferred, ₹10,250 crore from the Central Road Fund, and booked this, in violation of accounting procedure, as non-tax receipts.

(Para 2.3.1)

- The UGFA depicted an aggregate net balance of ₹56,980.28 crore (Debit) under Suspense heads as on 31 March 2019. In addition there was a net outstanding balance of ₹42,104 crore (Credit) under the Major Heads relating to 'Cheques and Bills'. Suspense heads in Government accounts are operated to reflect transactions of receipts and payments, that cannot be booked to a final head of account, pending information/ documents. Normally, such suspense heads should be cleared before the end of the financial year or soon thereafter. Continued existence of unadjusted suspense heads distorts the depiction of Government receipts and expenditure.

(Para 2.3.2)

- Adverse balances are those which are erroneously accounted as credit instead of debit and vice versa. There were 69 cases of adverse balances in the UGFA of 2018-19, amounting to ₹20,710 crore. Of these, 40 cases amounting to ₹8,138 crore have remained unresolved for over five years.

(Para 2.3.3)

Issues of Data Integrity and Completeness of UGFA Statements

- Monitoring and oversight over guarantees by Ministry of Finance was inadequate and there were discrepancies in some cases between the records of Ministries/ Departments and data included in UGFA. Two Ministries short-received guarantee fee of ₹1,627 crore.

(Para 2.4.1)

- The information contained in the Annual Accounts of five entities and the information contained in the UGFA on the equity investment of

Government in these entities, did not tally. The information on 73 entitites contained in the UGFA was either incomplete or not updated.

(Para 2.4.2)

- Against total loans of ₹2,97,077 crore (including arrears of interest) which were outstanding against State/ UT Governments and other entities as on 31 March 2019, repayment of ₹57,244 crore was in arrears.

(Para 2.4.3)

- In CAG's Report No.2 of 2019 on Accounts of the Union Government for 2017-18, it had been reported that devolution of IGST was not consistent with the scheme of GST/IGST. It was also advised that GoI needs to account for its share correctly. Despite this during 2018-19, a sum of ₹15,001 crore was erroneously transferred and accounted as state's share of net proceeds of IGST instead of being apportioned between Centre and States. In addition, a balance of ₹13,944 crore was left un-apportioned under the head and retained in CFI, even though the amended IGST Act now provides for ad-hoc apportionment of IGST. As a result States overall, received less funds on account of IGST.

(Para 2.4.4)

Issues relating to accounting of Cesses and Levies

- The Union Government collected ₹2,74,592 crore from 35 cesses/ levies in 2018-19. Under the scheme, such cesses and levies are required to be first transferred to designated Reserve Funds and utilised for the specific purposes intended by Parliament. It was observed that the scheme for "Social Welfare Surcharge" on Customs against which ₹8,871.19 crore was collected during the year did not envisage a dedicated fund. Non-creation/ non-operation of Reserve Funds makes it difficult to ensure that cesses and levies have been utilised for the specific purposes intended by the Parliament.

(Para 2.5)

- During the year, GST Compensation Cess of ₹40,806 crore was short-credited to the related Reserve Fund; ₹10,157 crore of the Road and Infrastructure Cess collected during the year was neither transferred to the related Reserve Fund nor utilised for the purpose for which the cess was collected; ₹1,24,399 crore representing the Cess on Crude Oil collected in the last decade had not been transferred to the designated Reserve Fund (Oil Industry Development Board) and was retained in CFI; short transfers during the year to dedicated reserve funds were ₹2,123 crore in the case of Universal Service Levy and ₹79 crore in the case of National Mineral Trust Levy.

(Para 2.5)

Chapter 3: Observations on Appropriation Accounts

- During the year 2018-19, there was excess disbursement of ₹5,204.56 crore over authorization involving two Grants of Defence Services, one grant of Union Civil Ministries and one Grant of the Railways. In the case of the excess relating to Defence Service Grants the excess was a result of short provisioning of funds against projections for items that MoD stated were obligatory in nature. In the case of the other two grants the excess was attributed to payments relating to legal orders. These excess disbursements require regularisation under Article 115(1)(b) of the Constitution.

  (Para 3.2.1)

- Savings of more than ₹100 crore aggregating ₹4,69,669.55 crore had occurred in 79 segments of 57 Grants/ Appropriations. Significant savings totaling to ₹1,31,073.18 crore were on account of regulation of expenditure comprising inter-alia withdrawal of food subsidy to FCI of ₹69,889.71 crore; short transfer (against BE) of GST Compensation Cess to GST Compensation Fund of ₹35,725 crore and reversal of expenditure on Defence pension of ₹5,000 crore. In addition, savings of ₹43,104.51 crore indicate shortfalls in performance in schemes and activities. Savings of ₹1,43,999.12 crore are attributable to reasons that convey gaps in budget formulation.

  (Para 3.2.2)

- Out of savings of ₹4,52,111.82 crore under Civil Grants/ Appropriations, 39.07 *per cent* (₹1,76,630.70 crore) of total savings during the year was not surrendered, but was allowed to lapse. In addition, ₹67,825.68 crore relating to 17 Civil Grants/ Appropriations, was surrendered on the last day of the year i.e 31 March 2019.

  (Para 3.5)

- In violation of basic accounting principles, the Accounting authorities did not book expenditure of approximately ₹14,000 crore under Grant No. 22 - 'Defence Pension', and instead, this continued to be held under 'Suspense'. More seriously, expenditure of ₹5,000 crore booked under Defence Pension head was transferred to Suspense Head through Transfer Entry in March 2019.

  (Para 3.7 and 3.13)

- Article 114(3) of the Constitution of India provides that no money shall be withdrawn from the Consolidated Fund of India except under appropriation made by law. In violation of this provision, the Central Board of Direct Taxes (CBDT) incurred expenditure of ₹20,566.33 crore during 2018-19 on interest on refunds without the authorisation of Parliament.

  (Para 3.14)

Chapter 1: Overview of Union Finances

1.1 Introduction

The annual accounts of the Union Government presented to Parliament, consist of the Finance Accounts and the Appropriation Accounts. The Union Government Finance Accounts (UGFA) depict the receipts and payments from the Consolidated Fund of India (CFI), Contingency Fund and Public Account. The Appropriation Accounts compare expenditure with the amounts authorised by Parliament and provide explanations of the Executive for variations between the two beyond specified limits under each grant/ appropriation. Chapter 1 of this report provides an overview of Union Finances; Chapter 2 contains audit observations[1] on the Finance Accounts; and Chapter 3 contains audit observations on the Appropriation Accounts.

1.2 Overview of Union Finances

1.2.1 Comparison of Budget and Revised Estimates with Actual Expenditure

This section compares and analyses budgeted receipts and disbursements (both at BE and RE stage) with the actual expenditure depicted in the Finance Accounts 2018-19. Planned and actual values for key fiscal indicators have also been compared and analysed as detailed in **Table 1.1**. The position during years selected at five year intervals i.e., for the years 2003-04, 2008-09 and 2013-14 is given in **Annexure 1.1**.

Table 1.1

Estimates and Actuals of Receipts and Disbursements 2018-19: Union Government

(₹ in crore)

Sl. No.	Particulars	Budget Estimates (BE)[a]	Revised Estimates (RE)[a]	Actuals	Variation of Actuals to BE *(per cent)* [b]	Variation of Actuals to RE *(per cent)*
1	Revenue Receipts	19,93,349	19,92,845	18,06,463	-1,86,886 (-9.38)	-1,86,382 (-9.35)
	Tax Revenue[c]	14,83,149	14,86,721	13,19,011	-1,64,138 (-11.07)	-1,67,710 (-11.28)
	Non-Tax Revenue[d]	5,10,200	5,06,124	4,87,452	-22,748 (-4.46)	-18,672 (-3.69)
2	Miscellaneous Capital Receipts[e]	80,000	80,252	94,979	14,979 (18.72)	14,727 (18.35)
3	Recovery of Loans and Advances[f]	63,574	64,755	30,257	-33,317 (-52.41)	-34,498 (-53.27)
4	***Total Non-Debt Receipts (1+2+3)***	***21,36,923***	***21,37,852***	***19,31,699***	***-2,05,224 (-9.6)***	***-2,06,153 (-9.64)***

[1] Amounts have been rounded off in this Report

5	Receipt of Public Debt	66,67,703	69,12,614	67,58,482	90,779 (1.36)	-1,54,132 (-2.23)
6	**Total Receipts in the CFI (4+5)**	**88,04,626**	**90,50,466**	**86,90,181**	**-1,14,445 (-1.3)**	**-3,60,285 (-3.98)**
7	Public Account Receipts[g]	14,42,491	14,93,807	16,92,640	2,50,149 (17.34)	1,98,833 (13.31)
8	***Total Receipts (6+7)***	***1,02,47,117***	***1,05,44,273***	***1,03,82,821***	***1,35,704 (1.32)***	***-1,61,452 (-1.53)***
9	Contingency Fund	0	0	0	0	0
10	Revenue Expenditure	24,09,895	24,04,513	22,61,571	-1,48,324 (-6.15)	-1,42,942 (-5.94)
11	Capital Expenditure	3,43,692	4,07,128	3,99,523	55,831 (16.24)	-7,605 (-1.87)
12	Loans and Advances	87,140	94,664	54,667	-32,473 (-37.27)	-39,997 (-42.25)
13	***Total Expenditure (10+11+12)***	***28,40,727***	***29,06,305***	***27,15,761***	***-1,24,966 (-4.4)***	***-1,90,544 (-6.56)***
14	Repayment of Public Debt	60,84,973	61,91,567	60,64,945	-20,028 (-0.33)	-1,26,622 (-2.05)
15	***Total Disbursements from CFI (13+14)***	***89,25,700***	***90,97,872***	***87,80,706***	***-1,44,994 (-1.62)***	***-3,17,166 (-3.49)***
16	Public Account Disbursements[g]	13,64,482	14,87,602	16,24,118	2,59,636 (19.03)	1,36,516 (9.18)
17	**Total Disbursements (15+16)**	**1,02,90,182**	**1,05,85,474**	**1,04,04,824**	**1,14,642 (1.11)**	**-1,80,650 (-1.71)**
18	Revenue Deficit (10-1)	4,16,546	4,11,668	4,55,108	38,562 (9.26)	43,440 (10.55)
19	Fiscal Deficit[h] (13-4)	7,03,804	7,68,453	7,84,062	80,258 (11.40)	15,609 (2.03)

a. BE and RE figures are taken from Annual Financial Statements.
b. Figures in parentheses indicate percentage variation
c. Does not include Taxes on Income assigned to States ₹7,88,092 crore (BE) and ₹7,61,454 crore (Actual) under Article 270 of the Constitution.
d. Includes Grants-in-aid and Contributions.
e. Includes disinvestment of equity (face value: ₹4,449 crore; premium: ₹68,171 crore); bonus shares (cash neutral): ₹252 crore; monetisation of national highways: ₹9,681 crore; and sale of SUUTI assets etc: ₹12,426 crore.
f. Recoveries more than BE: State Government (₹5,200 crore); Foreign governments (₹45 crore). Shortfall: Union Territories with Legislature (₹361 crore); Loans to PSUs etc., (₹38,201 crore)
g. Excludes balances under Suspense and Miscellaneous heads
h. As per Budget at a Glance (2020-21) Fiscal Deficit is ₹6,49,418 crore. However, as per Finance Accounts, Fiscal Deficit is ₹7,84,062 crore. Net difference of ₹1,34,644 crore is due to non-inclusion of securities issued to Asian Development Bank/ International Monetary Fund (₹9,278 crore), securities issued to PSBs and Exim Bank (₹1,10,500 crore) and receipt of external assistance for state Government projects (₹14,351 crore) etc. There is unreconciled difference of ₹515 crore.

Although the Union Government envisaged only a marginal reduction in revenue receipts at the RE stage as compared to BE, actual revenue receipts remained significantly lower than estimated. This was primarily due to collections being less than REs in the case of 'Taxes on income other than Corporation Tax' (by ₹56,513 crore); Corporation Tax (₹7,428 crore); Central Goods and Services Tax (₹46,366 crore); Customs (₹12,225 crore); Central Excise (₹28,619 crore), and non-tax revenue (₹18,672 crore). Actual miscellaneous capital receipts exceeded estimates, but this was more than offset by the large shortfall in recoveries of loans and advances.

Under 33 major heads, actual revenue expenditure exceeded REs by ₹28,038 crore whereas in the case of 73 major heads actual expenditure fell short of REs by ₹1,70,896 crore. Significant areas of shortfall in actuals against revised estimates were: food subsidy payments due to replacement of ₹70,000 crore with loans from National Small Savings Fund; expenditure on crop husbandry (₹13,835 crore); transfers of Grants-in-Aid to State Governments (₹12,859 crore); pension and other retirement benefits (₹7,406 crore); and Railways (₹4,566 crore).

The increase in estimates for Capital Expenditure at the RE stage, was mainly due to additional provision for capital outlay on bank recapitalisation[2] of ₹43,220 crore and additional provisions for capital outlay on roads and bridges of ₹8,516 crore on account of investment in NHAI from proceeds of monetisation of national highways. However, actual capital expenditure fell short of RE provisions by ₹7,605 crore primarily due to actual capital outlay on bank recapitalisation being less than estimated.

Higher shortfall in revenue receipts than the compression in actual revenue expenditure, resulted in larger than anticipated revenue deficit. This, combined with higher shortfall in recoveries of loans and advances compared with the shortfall in disbursement, resulted in a higher than anticipated fiscal deficit. This was despite miscellaneous capital receipts being higher than REs and capital outlay only being marginally lower than estimates at RE stage.

Audit analysis on the possible reasons for this situation revealed that even though there were clear trends of shortfalls in revenue and expenditure as at end of December 2018[3], these were not factored in the REs. To illustrate, though the trend of non-debt receipts during the year (the position as at the end of December 2018 was 62.2 *per cent* of BEs for the year; COPPY[4]- 67.4 *per cent*) was consistent and indicated that the targets for the year were unlikely to be achieved, the BEs and REs for non –debt receipts were almost similar. Ultimately, actual non-debt receipts fell short of REs by 9.64 *per cent*. Similar was the case of tax revenues (63.2 *per cent* of BEs at end of December 2018; COPPY- 73.4 *per cent*), where the BEs and REs were only slightly different, but actual tax revenues were consistent with the trend and lower than REs by 11.3 *per cent*. So was the trend in revenue expenditure (75.6 *per cent* at the end of December 2018; COPPY-79.6 *per cent*)

[2] Matched by issue of bonds of equal amount to the concerned banks
[3] Accounts at a Glance for December 2018 of the Controller General of Accounts (CGA).
[4] Corresponding Period of the Previous Year

where REs were only marginally decreased but actuals fell below REs by 5.94 *per cent*; and capital expenditure (70.6 *per cent* at the end of December 2018; COPPY-76.5 *per cent* respectively), where estimates at RE stage were increased by 18.46 *per cent* against which actual achievement was marginally short by 1.87 *per cent.* All these indicate an unrealistic assessment of financial resources which, in turn, not only led to curtailment of actual expenditure below estimated levels, but also to a larger revenue deficit.

1.2.2 Assets and Liabilities of Union Government as on 31 March 2019

A snapshot of the assets and liabilities position of the Union Government is given in **Table 1.2.**

Table 1.2 Statement of Assets and Liabilities of Union Government

(₹in crore)

Liabilities			Assets		
Particulars	**As on 31 March 2018**	**As on 31 March 2019**	**Particulars**	**As on 31 March 2018**	**As on 31 March 2019**
Internal Debt	64,01,275	70,74,941	**Gross Capital Outlay-Investment in shares of Companies, Cooperatives Societies etc.**	7,96,396	9,89,546
External Debt	2,50,090	2,69,961	**Other Capital Expenditure**	17,12,912	19,16, 969
Small Savings, Provident Funds etc.	5,54,171	5,79,609	**Loans to Government corporations, non-Government institutions, local funds, cultivators etc.**	1,11,249	1,25,546
Contingency Fund	500	500	**Loans to State/ Union Territory Governments**	1,62,011	1,71,531
Reserve Funds	44,088	26,091	**Loans to Foreign Governments**	13,433	13,558
Deposits and Advances	2,07,968	2,74,294	**Loans and Advances to Government Servants and Miscellaneous loans**	110	173
			Suspense and Miscellaneous Balances	32,726	42,262
			Remittance Balances	9,151	14,058
			Cash Balance investment	1,62,555	1,22,692
			General Cash Balance	1,408	2,729
			Cash with Departmental Offices	4,604	8,654
			Permanent Cash Imprest	93	100
			Deficit		
			Revenue Deficit for the year	4,48,942	4,55,108
			Accumulated Deficit (balancing figure)	40,02,502	43,62,470
Total	**74,58,092**	**82,25,396**	**Total**	**74,58,092**	**82,25,396**

Source: Union Government Finance Account

The decrease in balances under Reserve Funds was mainly due to tapping the opening balance (₹15,000 crore) of the GST Compensation Fund for making disbursements during the year, and (in violation of accounting principles) transfers of ₹10,250 crore from the Central Road Fund and their accounting as non-tax revenue. The increase in balances under Deposits and Advances is primarily due to receipt of National Compensation Afforestation Deposits amounting to ₹48,419 crore during the year. Variations under other items are dealt with in subsequent sections of this Chapter.

1.2.3 Resources: Sources and Application of Funds

During the year, the Union Government mobilised total resources of ₹1,11,98,260 crore which were applied for various purposes. **Table 1.3** below gives the various sources and application of funds.

Table 1.3 Sources and application of funds

(₹ in crore)

I	**Resources Available**				**1,11,98,260**
	a.	Opening Cash Balance	1,408		
	b.	Gross Revenue Receipts including tax/ non-tax revenues and before disbursing share of States in taxes	25,67,917		
	c.	Non-debt Capital Receipts	1,25,236		
	d.	Gross Debt Receipts	67,58,482		
	e.	Gross Accruals into Public Account	17,45,217		
II	**Application of Resources**				**1,11,95,531**
	a	**Repayment of Debt**		60,64,945	
	(i)	Internal Debt	60,34,207		
	(ii)	External Debt	30,738		
	b	**Discharge of Liabilities on Public Account**		16,53,371	
	(i)	Small Savings and Provident Fund	9,78,883		
	(ii)	Reserve Funds	3,40,157		
	(iii)	Deposits and Advances	2,99,172		
	(iv)	Others	35,159		
	c	**Actual Expenditure**		27,15,761	
	(i)	Revenue Expenditure	22,61,571		
	(ii)	Capital Expenditure	3,99,523		
	(iii)	Loans and Advances	54,667		
	d	**Share of the States in taxes**		7,61,454	
		Appropriation to Contingency Fund		-	0
III	**Closing Cash Balance**				**2,729**

A. Sources of Funds:

Revenue Receipts consisting of tax revenue (₹20,80,466 crore), non–tax revenue (₹4,86,389 crore) and external assistance (₹1,063 crore) contributed to 23 *per cent* of resources. Under tax revenues, direct taxes amounted to ₹11,36,780 crore (55 *per cent*) and indirect taxes to ₹9,43,686 crore (45 *per cent*). Non-tax revenue receipts included railway revenues (₹1,87,738 crore); dividends (₹1,13,427 crore); telecom receipts (₹40,816 crore); receipts from roads and bridges (₹19,871 crore) and profits and royalties under the Petroleum Act (₹14,197 crore).

Capital receipts has two components. The first is debt receipts (₹67,58,482 crore) which create future payment obligations and contributed to 60 *per cent* of the gross receipts of the year. The second is non-debt capital receipts comprising miscellaneous capital receipts (₹94,979 crore) and recoveries of loans and advances (₹30,257 crore). The former primarily consists of proceeds from disinvestment, receipts relating to "Specified Undertaking of UTI" (SUUTI) and proceeds from monetisation of national highways. The proceeds from the second component constitute one per cent of total gross receipts and represents reduction in actual or potential asset base.

Accruals into the Public Account constituted 16 *per cent* of resource mobilisation.

B. Application of Funds:

Out of the total resources mobilised during the year, 81 *per cent* was deployed on committed expenditure, comprising, repayment of debt (54 *per cent*), discharge of Public Account liabilities (15 *per cent*), interest payments (five *per cent*) and assignment of mandated portion of gross tax receipts to States (seven *per cent*). From the balance, after accounting for Grants-in-aid to States/ UTs and closing cash balance (three *per cent*), Government was left with only 16 *per cent* of its gross mobilisation to spend on its other activities.

1.2.4 Receipts and Disbursements of CFI- comparison over two years

Receipts and Disbursements from the Consolidated Fund of India (CFI) for 2017-18 and 2018-19 are given in **Table 1.4.**

Table 1.4 Statement of Receipts and Disbursements from CFI

(₹in crore)

Particulars	Receipts		Disbursements		
	2017-18	**2018-19**		**2017-18**	**2018-19**
Tax Revenues	12,46,178	13,19,011	**General Services**	10,10,124	11,02,022
Non-Tax Revenues	4,41,383	4,86,389	**Social Services**	1,01,337	1,07,414
External Assistance	3,582	1,063	**Economic Services**	6,47,098	6,69,423
Capital Receipts	1,00,048	94,979	**Grants-in-aid and Contributions**	3,81,525	3,82,712
Public Debt	65,54,002	67,58,482	**Expenditure on Capital Account**	3,25,116	3,99,523
Loans and Advances	70,639	30,257	**Public Debt**	58,72,605	60,64,945
			Loans and Advances	82,136	54,667
Total - Consolidated Fund of India	**84,15,832**	**86,90,181**		**84,19,941**	**87,80,706**

Source: Union Government Finance Accounts.

Total receipts increased by three *per cent* (₹2,74,349 crore) over the previous year 2017-18. Non-debt receipts increased by 3.75 *per cent* (₹69,868 crore) and debt receipts increased by 3.12 *per cent* (₹2,04,481 crore).

Increase in non-debt receipts over the previous year was significant in the following cases:

i. Tax revenue increased by ₹72,833 crore (six *per cent*) of which, Corporation Tax increased by ₹33,795 crore (nine *per cent*) and Taxes on Income other than Corporation Tax by ₹32,582 crore (14 *per cent*). However, tax buoyancy[5] during the year 2018-19 was 0.75 as compared to 1.05 in 2017-18.

ii. Non Tax Revenues grew by ₹45,005 crore (10 *per cent*), of which, receipts from dividends/ profits increased by ₹22,060 crore (24 *per cent*)[6], income from Roads and Bridges increased by ₹10,798 crore (119 *per cent),* and from 'Other Communication Services' by ₹8,751 crore (27 *per cent*). Higher receipts under dividends/ profits were primarily due to higher receipts of surpluses/ dividend from Reserve Bank of India. The depiction of higher receipts under income from roads and bridges is incorrect and overstated by ₹10,250 crore since this was caused by wrongly booking the transfers from the Central Road Fund to the CFI as Non-Tax Revenue (details in Chapter 2 of this report).

iii. Capital Receipts decreased compared to the previous year on account of less premium received on equity disinvested (₹17,997 crore). Premium as a percentage of total disinvestment decreased from 97 *per cent* in 2017-18 to 94 *per cent* in 2018-19.

Revenue expenditure increased by ₹1,21,487 crore (5.67 *per cent*) in 2018-19 over the previous year. Most of this increase was on account of higher expenditure on "General Services" of ₹91,898 crore (9.1 *per cent*). Analysis of expenditure on "General Services" shows that the largest increase of ₹51,845 crore (9.5 *per cent*) was on "Interest Payments and Servicing of Debt". Significant increases of over ₹10,000 crore were seen on Administrative Services (₹13,387.4 crore - 15.71 *per cent*); Pension and other Retirement Services (₹14,466.2 crore - 9.93 *per cent*); Defence Services (₹11,017 crore-5.71 *per cent*). Of the increase in the case of Pension and Other Retirement benefits, the increase on account of Defence Pensions was ₹9,775 crore (10.6 *per cent*) . In para 2.3.2.1 (b) of this report, mention is made of Defence pension scrolls of ₹14,000 crore not being cleared and Defence pension expenditure of ₹5,000 crore being irregularly reversed. In case these amounts are added, the actual increase in expenditure on Defence pensions would be ₹28,775 crore i.e. 31.3 *per cent* over the previous year which is indicative of the continued major impact of implementation of One Rank One Pension. The

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[5] Tax buoyancy is the ratio of percentage change in gross tax revenue to percentage change in Gross Domestic Product (GDP) over the previous year. GDP figures are as per CSO press release dated 31 May 2019.

[6] Compared to the previous year, there is no change in dividend in seven entities, 47 entities declared higher dividend amounting to ₹32,500 crore, 10 additional entities declared dividend of ₹216 crore and 48 entities declared less dividend than in the previous year.

increases in expenditure on "Social Services" and "Economic Services" were modest at ₹6,077 crore (six *per cent*) and ₹22,325 crore (3.5 *per cent).*

The increase in expenditure on capital account was ₹74,407 crore (22.89 *per cent*). However, if the expenditure is reduced in both the years by the amount of bank recapitalisation, the actual increase in expenditure on capital account (though only ₹58,407 crore) represents an increase of 25 *per cent*.

1.3 Other key Aspects of Union Finances.

1.3.1 Investment in Statutory Corporations, Government Companies, Other Joint Stock Companies, Co-operative Banks and Societies etc.

Statement 11 of the UGFA records Union Government's investments in/returns from Statutory Corporations, Government Companies, other Joint Stock Companies, Co-operative Banks and Societies etc. The statement shows that Union Government's total investment in these entities was ₹9,89,546 crore at the end of 2018-19, an increase of ₹1,93,150 crore over 2017-18. The increase was on account of recapitalisation of PSBs/ Nationalised Banks (₹1,06,000 crore) and investments in National Highways Authority of India (₹35,819 crore), International Monetary Fund (₹9,172 crore), Dedicated Freight Corridor Corporation of India (₹6,277 crore) and Export Import Bank of India (₹5,000 crore).

During the year, the Union Government received dividend/ surplus of ₹1,13,427 crore from 112 entities with an investment of ₹4,31,283 crore, compared to ₹91,367 crore received from 109 entities during 2017-18.

Of the amount received by way of dividend /surplus during 2018-19, the share of surplus received from RBI (₹68,000 crore) alone constituted 60 *per cent* of total receipts under this head. Other major entities whose contributions account for 30 *per cent* of the receipts under this head were, Oil and Natural Gas Commission (₹6,290 crore), Coal India Limited (₹5,839 crore), Indian Oil Corporation Ltd (₹5,383 crore), National Thermal Power Corporation Ltd (₹2,957 crore), Power Grid Corporation of India (₹2,514 crore), Hindustan Zinc Ltd. (₹2,496 crore), Life Insurance Corporation (₹2,261 crore), Bharat Petroleum Corporation of India Ltd. (₹2,091 crore), Airports Authority of India (₹2,003 crore), Rural Electrification Corporation Ltd (₹1,344 crore), and National Mineral Development Corporation Ltd. (₹1,222 crore).

1.3.2 Disinvestment in Statutory Corporations, Government Companies, Other Joint Stock Companies, Co-operative Banks and Societies etc.

Disinvestment proceeds constitute a major part of non-debt Capital Receipts. Statement 10 of UGFA depicts the total proceeds from disinvestment, and Statement 11 shows the entity wise position. During the year, Government received ₹72,620 crore from disinvestment[7], compared to ₹88,970 crore in 2017-18. Disinvestment in five entities contributed 71.78 *per cent* of the total receipts (₹52,125 crore). These were: Rural Electrification Corporation (₹15,664 crore), Coal India (₹12,287 crore), Oil and Natural Gas Corporation (₹8,738 crore), Indian Oil (₹8,665 crore) and National Thermal Power Corporation (₹6,771 crore). Disinvestment proceeds for the year includes ₹15,914 crore[8] from strategic sales of four PSUs viz REC Limited, Dredging Corporation of India Limited, HSCC (India) Limited and National Projects Construction Corporation Limited. These sales were to PFC Limited, consortium of Port Trusts, NBCC Limited and WAPCOS Limited respectively which are Public Sector entities. Such disinvestments only resulted in transfer of resources already with the public sector to the Government and did not lead to any change in the stake of the Public Sector/ Government in the disinvested PSUs.

1.3.3 Guarantees by Union Government

Statement 4 of UGFA gives the status of guarantees given by the Union Government. As on 31 March 2019, outstanding guarantees extended by 19 Ministries/ Departments amounted to ₹4,47,626 crore. Out of the ₹2,659 crore receivable as guarantee fee for the year, Government of India received only ₹928[9] crore. Five Ministries/ Departments (Department of Pharmaceuticals; Ministry of Civil Aviation; Department of Financial Services; Ministry of Micro, Small and Medium Enterprises and Department of Economic Affairs) did not realise guarantee fees of ₹1,711 crore during 2018-19. Guarantee fee of ₹30 crore for 2018-19 was paid in advance in 2017-18 by Mahanagar Telephone Nigam Limited (MTNL) under Department of Telecommunications. Three Ministries/ Departments viz., Department of Agriculture and Co-operation, Ministry of Consumer Affairs, Food and Public Distribution and Ministry of External Affairs waived off/ exempted guarantee fee receivable by them.

1.3.4 Status of Public Debt

Statement 14 of UGFA gives the detailed position of Internal and External Debt which together constitutes Public Debt of the Union Government and are secured on the CFI. Internal Debt primarily includes market loans, securities issued to international financial institutions, treasury bills, and Special Central Government Securities issued to NSSF, Postal Life Insurance (PLI) and Public Sector Banks. External Debt represents loans received from foreign Governments and international bodies.

Total debt of Union Government grew from ₹59,69,968 crore as on 31 March 2017 to ₹66,51,365 crore as on 31 March 2018 and further grew to ₹73,44,902[10] crore as

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7 ₹4,449 crore against face value (six *per cent)* and ₹68,171 crore (94 *per cent*) against premium.
8 Source: Ministry of Finance Annual Report 2018-19
9 Includes ₹10 crore received in excess by the Department of Commerce
10 At historic rate; valued in the UGFA at current rate as on 31 March 2019 at ₹75,49,380 crore.

on 31 March 2019. Public Debt has however, remained within a band of 38-39 *per cent* of GDP during the three-year period.

In addition, in the expenditure profile and receipt budget 2020-21, Government has disclosed extra-budget borrowings in the form of Government Fully Serviced Bonds, which was ₹65,602.10 crore during 2018-19. Cumulative borrowings upto 31 March 2019 were ₹89,864.10 crore which is about 0.47 per cent of GDP.

1.3.5 Public Account Liabilities

Public Account liabilities of the Union Government arise in its capacity as banker or a trustee rather than a borrower. These include Small Savings (Provident Funds, Insurance Funds); Reserve Funds and Deposits. These liabilities are not secured by the CFI and are shown as part of the Public Account. All these liabilities, however, are obligations of the government either in terms of their repayment or for making specified expenditure. These transactions are summarised in Statement No. 13 of UGFA. As on 31 March 2019, total outstanding Public Account liabilities stood at ₹8,82,119 crore which comprised ₹5,79,609 crore on Small Savings and Provident Fund and ₹3,02,510 crore on account of other obligations[11].

From the year 1999-2000, Public Account liabilities exclude the liabilities on account of small savings and insurance funds to the extent invested in Special State Government securities and other instruments as well as losses incurred in National Small Savings Fund (NSSF) operations. Consequently, the total figure for Public Accounts liabilities does not include liabilities of ₹8,16,244 crore corresponding to accruals in NSSF, Post Office Life Insurance Fund and Rural Post Office Life Insurance Fund which have been invested in Special State Government Securities (₹4,71,206 crore); in Government Undertakings (₹2,71,636 crore), and Post Office Insurance Funds (₹73,402 crore).

As on 31 March 2019, against the total liabilities of ₹15,01,608 crore in the NSSF, investments amounting to ₹13,51,761 crore were made. These include investment in Special Central Government Securities (₹2,72,988 crore), investment in Special State Government Securities (₹4,71,206 crore), investments of sums received in NSSF on redemption of Special Central/ State Government securities (₹3,35,931 crore), and investments in other Union Government entities (₹2,71,636 crore). After factoring in the cash balance of ₹36,195 crore, the NSSF carried an accumulated deficit of ₹1,13,652 crore, (7.57 *per cent* of the total liabilities) as on 31 March 2019 which constitutes Government liability.

Taking into account the investments made and accumulated deficit in NSSF, the actual outstanding Public Account liabilities as on 31 March 2019, worked out to ₹18,12,015 crore (₹15,09,505 crore as Small Savings and Provident Fund and ₹3,02,510 crore as other obligations) against ₹8,82,119 crore reflected in Statement 13 of the UGFA.

11 Reserve Funds and Deposits.

1.3.6 Reserve Funds and Deposits

Reserve Funds and Deposits in the Public account of Union Government are categorised as interest bearing and non-interest bearing. Out of 57 Reserve Funds in the Public Account, 20 are interest bearing and 37 are non-interest bearing. Interest of ₹319 crore and ₹861 crore was paid during the year on interest bearing Reserve funds and Deposits respectively. During the year, 12 out of the 57 Reserve Funds were not operated. In UGFA, only seven Reserve Funds were created at minor head level for accounting the collection and utilisation of cesses, levies and fees collected for specific purposes. Two funds, viz., the National Compensatory Afforestation Fund and Monetisation of National Highways Fund were made operational during the year 2018-19. Seven Reserve Funds had adverse balances at the end of the year 2018-19, which were stated to be under investigation.

Chapter 2: Observations on Finance Accounts

2.1 Introduction

The Union Government Finance Accounts (UGFA) present the accounts of receipts and disbursements of the Union for the year, the financial results disclosed by revenue and capital accounts and the accounts of public debt, liabilities and assets. The UGFA consists of 16 Statements.

The Controller General of Accounts (CGA) is responsible for laying down the general principles of Government Accounting and the Form of Accounts. The CGA prepares the UGFA based on inputs received from the Accounting Authorities of Ministries/ Departments of the Union Government. Secretaries of Ministries/ Departments are the Chief Accounting Authorities (CAA) of their Ministries/ Departments. They discharge their functions with the assistance of Financial Advisors (FA) and Chief Controllers of Accounts (CCA) of the Ministry/ Department concerned.

This Chapter contains audit observations relating to significant deficiencies and shortcomings in the presentation of the UGFA in terms of accuracy, completeness and transparency of accounts. Several of these shortcomings have persisted despite being regularly highlighted in previous Audit Reports of the Comptroller and Auditor General of India (CAG). These reflect on the failure of the Accounting Authorities referred to above, in discharging their responsibilities and taking effective measures to prevent recurrence of shortcomings.

2.2 Issues of transparency and disclosures

2.2.1 Indiscriminate use of Minor Head 800

Minor Head 800 with nomenclature ‘other receipts’/ ‘other expenditure’, is used under receipt and expenditure Major Heads to account for transactions that are not routine and/ or cannot be accounted under any specific minor head. Persistent and indiscriminate use of Minor Head 800 is to be discouraged, since it results in opaqueness in accounts.

Successive Audit Reports of the CAG have pointed out such persistent and indiscriminate use of Minor Head 800 by Ministries/ Departments of Government of India (GoI). Recommendations have also been made for a comprehensive review of the structure of Government Accounts to ensure greater transparency in financial reporting. Despite this, little efforts have been made by GoI, and the indiscriminate accounting of expenditure and receipts under Minor Head 800 has continued to persist.

2.2.1.1 Booking under Minor Head 800-Other Expenditure

During 2018-19, expenditure totalling ₹33,326 crore was booked under Minor Head 800-Other Expenditure under various Major Heads. In the case of seven

Ministries/ Departments involving 11 Major Heads, expenditure of ₹7,428 crore, constituting more than 50 *per cent* of the total expenditure booked under these heads, was accounted for under Minor Head 800. These included expenditure on Optical Fiber Cable based network for Defence Services (₹3,854 crore) under MH 5275- Other Communications Services; Pradhan Mantri Krishi Sichai Yojana (₹1,430 crore) under MH 2701- Medium Irrigation and National Seismic Program (₹1,300 crore) under MH 4802– Petroleum.

In addition, in some cases, significant expenditure (though below 50 *per cent* of total expenditure under the concerned Major Head) was booked under Minor Head 800. These included expenditure on Phulpur Dharma Haldia Pipeline Project (₹1,207 crore) under MH 2802- Petroleum; Support to Autonomous Institutions and Make in India (₹864 crore) under MH 2852- Industries and Support to Rural Development Programmes and strengthening District Planning Process and BPL survey (₹561 crore) under MH 2515- Rural Development.

Significant booking of expenditure under Minor Head 800, in excess of 50 *per cent* of total expenditure, has persisted for several years under the following Major heads: Capital Outlay on other Communication services; Flood Control and Drainage; Capital Outlay on Non-Ferrous Mining and Metallurgical Industries and Capital Outlay on Soil and Water Conservation.

2.2.1.2 Booking under Minor Head 800-Other Receipts

Receipts of ₹37,424 crore were booked under Minor Head 800- Other Receipts during 2018-19. In 17 Ministries/ Departments, receipts pertaining to 24 Major Heads, amounting to ₹13,678 crore, which were over 50 *per cent* of total receipts booked under these heads, were booked under this Minor Head. These heads included Roads and Bridges; Defence Services-Navy; Defence Receipts-Research and Development; Food Storage and Warehousing; Education Sports, Art and Culture; Public Works; Road Transport; Stamps and Registration Fees; Coal and Lignite; and Village & Small Industries.

In the following cases, significant receipts (though below 50 *per cent* of total receipts) were booked under Minor Head 800. Under Non-Tax Receipts, these included Defence Services Receipts-Army and Air Force (₹1,164 crore); Urban Health Services (₹1,182 crore); Postal and Other Communication Services (₹1,487 crore); and Interest Receipts of Central Government (₹1,169 crore). Further, ₹12,426 crore of receipts from SUUTI[12] were not only erroneously booked under Capital Receipts (instead of revenue receipts), they were booked under Minor Head 800, thereby masking their true nature.

Audit scrutiny of bookings under Minor Head 800 in respect of Direct Taxes showed that ₹920 crore was booked under Minor Head 800, even though the

[12] Specified Undertaking of the Unit Trust of India

relevant Minor Heads were available. In addition, an amount of ₹403 crore of Non-Tax revenue was booked under Minor Head-800-Other Receipts as Tax Revenue. Similarly, in the case of Indirect Taxes, ₹2,611 crore was booked under Minor Head 800 despite the existence of relevant Minor Heads. Such wrong booking under Minor Head 800 despite availability of correct Minor Heads impacted the calculation of net proceeds and assignment to States.

As in the case of expenditure, booking of receipts in excess of 50 *per cent* of total receipts under 800 - Other Receipts also persisted for several years in the case of 12[13] Major Heads/ functions.

In the interest of transparency in accounts, it is recommended that the Controller General of Accounts (CGA) reviews all transactions where there are persistent booking of receipts and expenditure under Minor Head 800 and, in consultation with the CAG, prescribe and ensure operation of new Minor Heads. The CGA should also issue suitable directions to all accounting authorities to ensure that direct and indirect tax revenues are booked to the correct Minor Head, and are not wrongly booked under Minor Head 800 depriving States of their rightful share.

2.2.2 Questionable depiction of critical information through footnotes in UGFA

2.2.2.1 Public Liabilities

Statement No.2 "Summary of Debt Position" of UGFA 2018-19 depicts the total of liabilities under "Small Savings and Provident Fund" as ₹5,79,609 crore and under "Other Obligations-Reserve Funds and Deposits" as ₹3,02,510 crore. Together, these constitute Public Account Liabilities amounting to ₹8,82,119 crore as on 31 March 2019. Information on other liabilities of the Central Government consisting of investment of NSSF of ₹7,42,842 crore, accumulated deficit of NSSF of ₹1,13,652 crore and investment of ₹73,402 crore relating to Post Office Insurance Fund, is provided by way of a footnote. Taking these other liabilities into account, the actual outstanding Public Account liabilities as on 31 March 2019 works out to ₹18,12,015 crore as against ₹8,82,119 crore shown in the Statement. Thus, depiction of total Public Account Liabilities through a footnote and not as part of the main body of the statement or depicting the consolidated picture at any place, does not disclose the correct picture of Public Account Liabilities of the Union Government.

2.2.2.2 External Debt of Union Government

Statements 2 and 14 of UGFA 2018-19 show External Debt of the Union Government at historic rate of exchange and discloses the External Debt as

[13] 0077-Defence Services- Navy, 0080-Defence Services-Research and Development,0230-Labour and Employment, 0408-Food Storage and Warehousing, 0425-Co-operation, 0435-Other Agricultural Programmes, 0515-Other Rural Development Programmes, 0701-Medium Irrigation, 0702-Minor Irrigation, 1055-Roads Transport, 1056-Inland Water Transport and 1456-Civil Supplies.

converted at the current exchange rate (rate as on 31 March 2019) as a footnote. It is observed that the latter is ₹2,04,478 crore higher than the amount at historical rate. This disclosure of the value of external debt only through a footnote affects the transparency of the accounts and may also be seen in the light of the FRBM Act 2003 wherein the definition of Central Government Debt includes External Debt valued at current exchange rates.

2.2.2.3 Key Fiscal Numbers

Statement No. 1 - Summary of Transactions of UGFA does not give key fiscal numbers such as Revenue Deficit and Fiscal Deficit. Instead, the figure of Revenue Deficit is implicitly conveyed by way of a footnote giving the amount by which expenditure on revenue account exceeded receipts on revenue account.

2.2.2.4 Cash Balance

Statement No. 13 which relates to Debt, Deposits and Remittances Heads shows closing cash balance under MH 8999. The difference with RBI's closing cash balance is shown by way of a footnote. This footnote gives a break-up of the difference between Civil Ministries; Non-Civil Ministries and UTs and broad reasons for the differences. Disclosure through the footnote is inadequate as the difference is shown on a net basis and as such does not capture its totality as separate credits and debits that make up the difference are not depicted.

2.2.2.5 Other Footnotes

A total of 317 footnotes had been inserted in 16 statements of the UGFA for disclosing additional information with respect to figures for transactions and for opening and closing balances and changes made thereto. Examples of such footnotes include adverse balances under investigation, balances under reconciliation, information awaited, minus booking under investigation, prior period adjustments, transfer without financial adjustment, explanation for minus entries, explanation for other expenditure and receipts and information on disinvestment and investment. These footnotes though related to significant transactions, were brief and cryptic and in some cases were being repeated each year without resolution. These footnotes do not disclose the full nature and implications of adjustments and action being taken to address anomalies.

2.2.3 Depiction of net figures under Suspense Heads

Statement No. 13 gives balances under suspense heads relating to Civil Ministries, Postal, Telecom, Defence and Railways. This statement only shows net balances under suspense heads and thus does not disclose the real magnitude of separate credit and debit balances under these heads. Netting of debit/ credit balances leads to significant understatement of suspense balances in the UGFA both at Major and Minor Head levels.

2.3 Issues relating to accuracy of accounts

The accuracy of the Union Finance Accounts for the year is impacted by persistence of significant balances under Suspense and Miscellaneous Heads awaiting final classification and clearance; and adverse balances under Debt, Deposit and Remittances Heads. In addition, Audit observed an instance of transfer of amounts from a Reserve Fund to non-tax receipts during the year which was in violation of basic accounting principles. Details are given in the succeeding paragraphs.

2.3.1 Incorrect transfer of ₹10,250 crore from receipts under Central Road Fund to non-tax receipts

An amount of ₹10,250 crore was transferred from receipts in the Central Road Fund (8224.00.101) and accounted as Non-Tax Receipts (1054.00.800- Other Receipts) during 2018-19 through Journal Entry (JE) after the close of the year. The Central Road Fund had been created by the Parliament as a dedicated non-lapsable Reserve Fund for the express purpose of accounting for and routing all road cess receipts to be used only for designated purposes. The operation of the Reserve Fund required the initial transfer of the road cess from the CFI into the Fund, the incurring of expenditure for the designated purpose from different Major heads, the debiting of the Reserve Fund and the corresponding minus debit to the Major head under which the expenditure had been incurred. This accounting procedure was violated by the above JE in different ways, as under:

(i) The road cess had already been accounted for as tax revenue receipts in the year of collection. During 2018-19, ₹1,10,847 crore had been collected as road cess. Consequently, by booking the transfer from the Central Road Fund to the CFI as non-tax receipts, the receipts already booked in earlier and current years were double counted.

(ii) During the year, expenditure of ₹73,130 crore had been accounted as transfer to Central Road Fund (CRF)/ Central Road and Infrastructure Fund (CRIF) under different Major heads for utilisation on designated purposes. Consequently, the JE, by not nullifying the expenditure through appropriate minus debit, resulted in unnecessary overstating of the expenditure to this extent under those major heads.

(iii) Before the incorporation of the JE, as against total road and infrastructure cess collection of ₹1,10,847 crore, ₹1,00,690 crore was either received in reserve funds or used for purposes for which the cess was collected, leaving a balance of cess collections of ₹10,157 crore which was neither transferred to a reserve fund nor utilised. However, after the JE was passed this balance increased to ₹20,407 crore. This not only had the effect of understating deficit, but also made funds to this extent available for expenditure for other than designated purposes, which was contrary to the will of the Parliament.

In their reply, Ministry of Finance intimated that consequent to re-designation of the fund from CRF to CRIF idle balance in the fund was transferred to CFI with approval of Finance Minister. Further, such write backs had been done in the past also, based on recommendations of the Standing Committee on Finance (16th Lok Sabha) for transferring unutilised funds/ idle funds in the Public Account to the CFI.

The Ministry's reply is untenable. The issue has nothing to do with the re-designation of the Fund and the transfer of balances from the earlier Fund to the newly designated Fund. The reference to precedents is either not relevant or cannot be used to justify wrong practices. The Standing Committee recommendation was in the context of closing idle Funds and transferring unutilised balances back to the CFI. The Central Road Fund/ CRIF is not an idle fund. Further, the stipulated accounting procedure for transferring idle Fund balances back to the CFI does not require inflating the revenue receipts for the year as the JE has done.

It is evident that the purpose of the JE was primarily for the purpose of artificially inflating revenue receipts of the year. This merits further investigation for appropriate action against the concerned Accounting Authorities who authorised the JE.

2.3.2 Outstanding balances under Suspense and Miscellaneous Heads of Account

Suspense heads are operated in Government accounts to reflect transactions which cannot be booked to a final head of account due to lack of information as to their nature. These heads of accounts are finally cleared by minus debit or minus credit when the amount under them is booked to their respective final heads of accounts. If these amounts remain unadjusted, the balances under the suspense heads accumulate and the accounts would not give an accurate picture of Government receipts and expenditure.

The minor head-wise ledger for suspense balances is maintained by the Principal Pay and Accounts Offices (PAO) and sub/ detailed head-wise ledger by the PAOs. The Chief Controller of Accounts is required to review the suspense balances and submit a report to the Controller General of Accounts (CGA) for monitoring purposes. The CGA however, does not maintain a year-wise break-up of the outstanding balances under suspense minor heads which hindered the monitoring of clearance of such balances.

As per Statement 13 of UGFA for 2018-19, the aggregate net balance under suspense heads as on 31 March 2019, was ₹56,980.28 crore (Debit). This balance inter-alia, consisted of ₹21,248.90 crore (Debit) under Civil, ₹29,873.02 crore (Debit) under Ministries/ Departments of Defence, ₹2,396.09 crore (Debit) under Railways and ₹3,462.27 crore (Debit) for Postal Department. The position of suspense balances under major suspense heads of Civil Ministries for 2018-19 is given in **Annexure 2.1**. In addition, net balance of ₹42,104 crore (credit) was outstanding under the Major heads relating to 'Cheques and Bills'. Details are given in **Annexure 2.2**.

Audit scrutiny of balances under suspense and miscellaneous heads was undertaken in five Principal Accounts Offices viz., CPAO, Ministry of Agriculture, CBDT, Ministry of Water Resources, River Development & Ganga Rejuvenation and Ministry of Rural Development, Department of Posts and Ministry of Defence. Observations arising from the scrutiny relating to Public Sector Bank (PSB) suspense, suspense accounts for purchases abroad, and 'Cheques and Bills' are given in the sub-paras below**.**

2.3.2.1 Public Sector Bank Suspense (PSB Suspense)

Public Sector Banks (PSB) function as agents of the Reserve Banks of India (RBI). When Government Departments receive the statement of payments made against instructions given (as cheques/bills) to PSBs, the transactions are initially booked as a credit entry against PSB suspense, which is cleared by contra credit to Reserve Bank Deposits (RBD) Head when RBI debits the amount from Government account. Similarly, after receiving intimation by PSBs of receipts, the concerned Government department debits the PSB suspense, which is cleared by contra debit to RBD Head when RBI credits the amount into Government account. Failure to clear the suspense in a timely manner results in incorrect depiction in Government books of its cash balance with RBI.

(a) PSB Suspense-Civil Ministries

The outstanding balance of PSB Suspense relating to Civil Ministries/ Departments for the year ending March 2019 was ₹15,978.79 crore (Debit) and ₹2,286.75 crore (Credit). In respect of 23 Ministries/Departments (**Annexure 2.3)**, balances under these Heads had risen by over 100 *per cent* during 2018-19.

The net closing balance with the CPAO had grown by ₹2,662.45 crore (Debit) to reach ₹9,745.49 crore (Debit). The oldest balances pertain to 1990-91. The books of the CBDT showed an outstanding balance of ₹1,612.61 crore (Credit), an increase of ₹761.43 crore over the previous year. The oldest balances pertained to 1988-89. It is noteworthy that there is a negative balance (which is contrary to government accounting principles) of ₹82.10 crore as on 31 March 2019 pertaining to the Ministry of Development of North Eastern Region (DONER), the consequence of negative balances in the account pertaining since 2017-18.

It is recommended that the concerned accounting authorities under the CGA take concerted efforts to clear the suspense and rectify the negative balance by the end of the next financial year.

(b) PSB-Suspense-Defence

PSB Suspense relating to Defence Ministry showed a closing net balance of ₹21,366.41 crore (Debit) for 2018-19, a net increase of ₹6,519.97 crore over the opening balance. The accounts furnished by the Controller General of Defence Accounts (CGDA) to the CGA depict only the net position and do not give the break-up between the debit and credit balances, rendering the accounts opaque. Nevertheless, Audit found that the net suspense had significantly jumped from ₹8,985 crore (Debit) at the end of 2016-17 to the present high figure. A major reason for the accumulation of balances is the non-clearance of pension transactions in the books of the Defence Ministry. During 2018-19 alone, pension scrolls amounting to ₹14,000 crore had not been cleared. In addition, in violation of basic accounting procedure, and for the express purpose of understating revenue expenditure (thereby resulting in the overall understatement of the revenue deficit), the accounting authorities reversed the expenditure of ₹5,000 crore on pension by booking it under suspense. It is observed that the Accounting Authorities deliberately committed similar violation of accounting procedure in 2017-18 (by reversing ₹3,000 crore already incurred on pension), and in 2018-19 (by reversing ₹5,000 crore).

It is recommended that the matter of manipulating the accounts be investigated with due seriousness and appropriate action taken against the Accounting Authorities who approved the incorrect transactions.

2.3.2.2 Suspense Accounts for purchases abroad

The Minor Head 'Suspense Accounts for Purchases abroad' is operated in the books of Controller of Aid, Accounts and Audit (CAA&A), Ministry of Finance (Department of Economic Affairs). The Government advices donors to make payments directly to suppliers abroad against supplies made to project authorities/ importers[14] in India and an equal amount is kept under the suspense head till payment is received from the concerned line Ministries/ importers. The debit balance under this head indicates outstanding recoveries from the importers/ project authorities, even though the Government has already made payments for these imports.

As on 31 March 2019 an amount of ₹2,904.12 crore (Debit) was lying under suspense, of which ₹111.12 crore pertains to the period prior to 2010-11. This issue was also highlighted in the CAG's Audit Report on Union Accounts for 2016-17, but has not been resolved. The continued existence of the suspense items impacts the presentation of external debt in statement No.14 of the UGFA since 2010-11.

[14] Project implementing agencies, viz., CPSUs, State PSUs, State Government, Central Government etc.

It was further noticed from information provided by CAA&A that fresh payments had been made on behalf of the same importers/ projects authorities from whom payments for earlier purchases are still due.

2.3.2.3 Outstanding balances under the head 'Cheques and Bills'

The head 'Cheques and Bills' depicts the difference between the payment instructions (through cheques etc.,) issued by Government Ministries and Departments to PSBs and the extent to which such payments have actually been made (and correctly booked). Continued existence of unreconciled balances under this head can distort the cash balances as depicted in Government's books. There are significant balances under Postal Cheques (which has grown from ₹12,744 crore in 2014-15 to ₹27,273 crore in 2018-19), PAO Cheques (₹3,478 crore), PAO Electronic Advices (₹4,208.28 crore) and Departmental Cheques (₹3,254 crore).

The existence of persisting balances under the head 'Cheques and Bills' violates the Central Government Account (Receipts and Payments) Rules, 1983 which stipulate that cheques and bills remaining unpaid beyond six months of issue, and not renewed, are to be cancelled and the amount written back in the accounts. Test check by Audit indicates that a significant number of cheques issued by various Ministries and Departments are time barred for payment and can be written back into the accounts.

It is recommended that Government ensures that all Accounting Authorities reconcile and clear balances under this head and also initiate the procedure mentioned above in respect of all Government cheques outstanding for more than six months so that the Government cash balance is correctly depicted.

2.3.3 Adverse balances

Adverse balances arise when transactions are erroneously credited instead of being debited and *vice versa*. The UGFA 2018-19 shows 69 cases of adverse balances amounting to ₹20,710 crore[15] (₹7,413 crore Credit and ₹13,297 crore Debit). Of these, 40 cases amounting to ₹8,138 crore (₹1,339 crore Credit and ₹6,799 crore Debit) have remained unresolved for over five years, with the oldest as early as 44 years. Some of the significant adverse balances are depicted below:

(i) ₹6,766 crore (Debit) under the Ministry of Railways, indicating disbursements from Reserve Funds in excess of balances. The balances turned adverse in 2009-10.

(ii) ₹3,272.99 crore (Debit) under Railway Deposits. The balances turned adverse in 2005-06.

(iii) ₹937.23 crore (Debit) and ₹928.10 crore (Credit) in the Bhopal Gas Leak Disaster Fund, which have been appearing in the accounts since 2007-08.

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15 30 cases totalling to ₹18,999 crore pertain to Debt, Deposit and Remittance heads and the balance to Loans and Advances.

(iv) ₹2,206.80 crore (Credit) under Defence Advances. The balances turned adverse in 2015-16.

(v) ₹211 crore (Debit) in the Beedi Workers Welfare Fund under the Ministry of Labour and Employment. The balances turned adverse in 2007-08.

(vi) ₹159 crore (Debit) in Rashtriya Swachhta Kosh (RSK) under the Ministry of Urban Development. The balances turned adverse in 2015-16.

(vii) ₹1,182.30 crore (Credit) under Loans and Advances, which have been appearing in the accounts since 2016-17.

It is recommended that all Accounting Authorities identify the errors and defects leading to adverse balances and rectify the same in a time bound manner.

2.4 Issues of Data Integrity and Completeness of UGFA Statements

2.4.1 Review of Statement on Guarantees given by Union Government

Review of Statement No. 4 of the UGFA relating to Guarantees given by the Union Government are given below:

2.4.1.1 Inaccurate information on guarantees furnished by Finance Divisions of concerned Ministries/ Departments

The General Financial Rules (GFR) entrust the Finance Division/ Financial Advisers of respective Ministries with the responsibility of verifying the accuracy of the information on guarantees which are ultimately incorporated by Ministry of Finance in the UGFA. Audit scrutiny of records of the Ministry of Finance revealed that out of 19 Ministries/ Departments featuring in Statement No. 4, only nine had submitted review reports on guarantees during 2018-19 as required by the GFRs. Seven of these nine reports were incomplete. Audit noted that the Ministry of Finance which has overall responsibility for Government guarantees, did not have even basic information on guarantees. It did not maintain either a manual or an electronic register of guarantee given, and was therefore forced to rely on the reports submitted by the administrative Ministries/ Departments. However, as shown in the subsequent paragraph, Ministries/ Departments' reports were themselves of doubtful authenticity.

Audit test check and cross verification of records of six[16] Ministries with the information on guarantees relating to them appearing in the UGFA revealed that these Ministries relied on the information furnished by the entities availing of guarantees rather than on their own records. The discrepancy in the guarantee

[16] Ministries of Housing and Urban Affairs, (MoHUA) Power (MoP), Steel (MoS), Micro Medium and Small Enterprises (MoMSME), Civil Aviation (MoCA) and Department of Economic Affairs (DEA)

outstanding figure contained in the annual review reports[17]/ Detailed Demands for Grants (DDG) furnished by the Department of Economic Affairs (DEA) to the Budget Division of the same Ministry varied from the information recorded in the UGFA for 2018-19 by ₹72.70 crore; in the case of Ministry of Housing and Urban Affairs (MoHUA), it was ₹11.26 crore; in the case of Ministry of Civil Aviation (MoCA) it was ₹34.59 crore.

It is recommended that the Ministry of Finance enforces the provisions of the GFRs regarding the furnishing of accurate information by the Finance Division/ Financial Advisers of Ministries/ Departments extending guarantees and creates and maintains a reliable and uptodate database for the same. In addition it should also ensure that the information contained in Statement 4 of the UGFA is complete and accurate.

2.4.1.2 Guarantee Fees

The GFRs stipulate that the rates of guarantee fee would be as notified by the Budget Division, Department of Economic Affairs, Ministry of Finance.

a) **Short receipt of Guarantee Fee**: Accounting authorities of two Ministries/ Departments, failed to realise ₹1,627 crore towards guarantee fees during 2018-19 as depicted in **Table 2.1**.

Table 2.1: Short receipt of Guarantee fee

(₹in crore)

Sl. No.	Ministry/ Department	Guarantee fee receivable	Guarantee fee received	Short receipt of guarantee fee	Remarks
1.	Ministry of Chemicals and Fertilizer-Pharmaceuticals	85	0	85	Indian Drugs Pharmaceuticals Limited (IDPL) is a sick company
2.	Civil Aviation	1,546	4	1,542	Air India Ltd. has not paid guarantee fee due to severe liquidity crunch.
Total		**1,631**	**4**	**1,627**	

The above had also been pointed out in the earlier CAG's Audit Report on Union Accounts for 2017-18, but the Government has continued to extend guarantees to these entities without collecting guarantee fee. More pertinent, since IDPL has been declared a sick company, there is no recourse to the creditors, but to invoke the guarantee and recover the principal of ₹1,133 crore and the interest thereon as on 31 March 2019 from Government of India.

[17] In 2018-19, DEA and MoCA had conducted no reviews; MoHUA, MoP, MoS and MoMSME had carried out incomplete reviews.

b) **Wrong depiction of penalty as guarantee fees**: Statement 4 of the UGFA has wrongly depicted penalty of ₹2.59 crore as the guarantee fee booked by the Ministry of Water Resources, River Development & Ganga Rejuvenation.

c) **Incorrect depiction of receipt of Guarantee fee**: Statement 4 of the UGFA has wrongly depicted ₹29.80 crore receivable in 2019-20 but received in advance from MTNL as the guarantee fee for 2018-19. Similar errors in respect of MTNL had been committed in 2015-16, 2016-17 and 2017-18.

2.4.2 Issues with respect to Government Investments

Statement 11 of the UGFA provides details of Union Government's investment in Public Sector and other entities. The CGA and CCAs of the concerned Ministries/ Departments are responsible for the accuracy and completeness of details contained in Statement 11. Defects/ discrepancies in the statement are detailed below.

2.4.2.1 Discrepancies in depiction of Government investment in Statutory Corporations, Government Companies, Other Joint Stock Companies, Co-operative Banks and Societies, *etc.*

Cross verification of information on Government Companies/ Corporations/Banks and Societies etc., contained in the Finance Accounts with the certified Annual Accounts of the concerned entities revealed discrepancies as detailed in **Table 2.2**.

Table 2.2: Discrepancies in Government investment

(₹in crore)

Sl. No.	Entity	Equity investment by Government			
		As per Statement 11 of Finance Accounts for 2018-19		As per Annual Accounts of entity for 2018-19	
		Equity	Percentage	Equity	Percentage
1.	Andrew Yule	85.90	-	87.27	-
2.	Gas Authority of India Ltd.	642.80	-	1,177.03	-
3.	Hindustan Steel Works Construction Ltd.	117.10	100	34.30	49.00
4.	Security Printing and Minting Corporation of India Ltd.	0.05	100	1,064.24	99.99
5.	Cochin Shipyard Ltd.	98.92	100	98.93	75.21
Dividend declared					
1.	Dredging Corporation of India	Nil		₹4.11 crore	

2.4.2.2 Incomplete information on investment

In respect of 34 Entities, Statement 11 contains incomplete information in respect of investment, face value, number of shares, total paid up capital and percentage of Government's investment.

2.4.2.3 Discrepancies in depiction of percentage of Government investment

Government investment had increased/ decreased during 2018-19 in 30 entities, the percentage of Government investment depicted in the UGFA has remained unchanged.

2.4.2.4 Inconsistency in depiction of Investment in Finance Accounts and Appropriation Accounts

Cross verification of Statement 11 of the Finance Accounts with Annexure-C of the Appropriation Accounts revealed inconsistency in depiction of Investment by GoI for the financial year 2018-19 in these two accounts, as detailed in **Table 2.3**.

Table 2.3: Inconsistency in depiction of Government Investment

(₹in crore)

Sl. No.	Ministry/ Department	Company	Investment	
			Finance Accounts	Appropriation Accounts (Annexure C)
1.	Power	National Thermal Power Corporation of India Ltd. (NTPC)	Nil	50.00

2.4.2.5 Removal of closed/ dissolved/ disinvested Central Public Sector Enterprises (CPSEs) from Statement No.11 of the Finance Accounts

i. Although nine[18] CPSEs had been dissolved/ closed/ liquidated by Government of India (GoI), they continue to feature in Statement 11 of Finance Accounts.

ii. Although GoI divested itself of the entire equity of ₹1,152 crore in Rural Electrification Corporation Ltd. (RECL), in 2018-19, Statement 11 of UGFA continues to depict this investment.

2.4.2.6 Difference in Investment

As per records of the Ministry of Home Affairs the total amount invested in North Eastern Agricultural Marketing Corporation till 2018-19 is ₹7.62 crore while the corresponding amount in Statement No. 11 of Finance Accounts for the year 2018-19 is ₹2.74 crore.

2.4.2.7 Shortfall in payment of Dividend

As per para 5.2 of the Guidelines on Capital Restructuring of CPSEs issued (May 2016) by Department of Investment and Public Asset Management (DIPAM), Ministry of Finance, every CPSE would pay a minimum annual dividend of 30 *per cent* of Profit After Tax (PAT) or five *per cent* of the net worth, whichever

[18] Central Fisheries Corporation Ltd, Karnataka Dairy Development Corporation, Madhya Pradesh State Dairy Development Corporation, Oil Palm Projects, Rajasthan State Dairy Corporation, Banana and Fruit Development Corporation, Gandak CADA, Mini Cement Plant and Sikkim Mining Corporation.

is higher, subject to the maximum dividend permitted under the extant legal provisions. However, the following CPSEs did not comply with these guidelines resulting in shortfall in payment of dividend amounting to ₹79.13 crore during 2017-18 as detailed in **Table 2.4**.

Table 2.4: Shortfall in payment of dividend

(₹in crore)

Name of CPSE	Paid up capital (GOI Share)	Profit After Tax	30% of PAT	Net worth	5 % of Net worth	Minimum dividend to be declared	Percentage of GOI shareholding	Dividend payable to GOI	Dividend declared during 2017-18	Shortfall
	1	2	3	4	5	6	7	8	9	10=8-9
NSIC	532.99	99.41	29.82	857.13	42.86	42.86	100	42.86	28.37	14.49
Andrew Yule	87.27	17.12	5.14	189.01	9.45	9.45	89.25	8.43	1.79	6.64
Hindustan Copper Ltd.	351.79	79.61	23.88	831.59	41.58	41.58	76.05	31.62	17.59	14.03
GAIL	1,208.55	4,618.41	1,385.52	33,951.12	1,697.56	1,697.56	53.59	909.72	865.75	43.97

In the case of NSIC, the concerned Ministry (October 2019) intimated that it had sought exemption from payment of dividend @ 30 *per cent* of the PAT for 2017-18, on which a decision of DIPAM was awaited.

Regarding Andrew Yule and Company, it was stated by the Department that the company did not have sufficient funds to pay the dividend. However, as seen from the accounts of the Company it had a profit after tax (PAT) of ₹17.12 crore for the year 2017-18.

In the case of the other two CPSEs Hindustan Copper Limited and GAIL, no reply was received from the concerned Ministries.

2.4.2.8 Treatment of assets of Specified Undertaking of UTI (SUUTI)

SUUTI was created by an act of the Parliament and includes all business, assets, liabilities and properties of UTI relatable to schemes and Development Reserve Fund as specified in the schedule of the Act. Neither SUUTI nor the assets/ liabilities are depicted in the UGFA. During the year, SUUTI disposed off a part of shares held by it and transferred proceeds from the sale to the Union Government. These receipts amounting to ₹12,426 crore, were accounted in UGFA as ‘other receipts’ (Minor Head 800) under Sub-Major Head-01 under MH 4000-Miscellaneous Capital Receipts, without disclosing its nature. This classification under miscellaneous capital receipts is incorrect, since SUUTI is not a Government entity, and receipts from sale of shares etc., can only be treated as non-tax revenue and not capital receipts. As a result of the incorrect classification, the capital receipts of Government for the year were overstated and revenue receipts understated, with corresponding impact on the revenue surplus.

2.4.3 Issues with respect to Statement on Loans and Advances by Union Government

Audit scrutiny of Statement No. 15 of the UGFA which contains information on loans and advances by the Union Government revealed the following:

2.4.3.1 Non-recovery of outstanding Loans and Advances

Against the total loans (including interest) of ₹2,97,077 crore outstanding against State/ UT Governments and other entities as on 31 March 2019, arrears in recovery amounted to ₹57,244 crore (19 *per cent)* as detailed in **Table 2.5**.

Table 2.5: Total outstanding Loans and Advances

(₹in crore)

Arrears as on 31 March 2019				
Sl. No.	**Name of Loanee**	**Principal**	**Interest**	**Total**
1.	State Government	379	1,662	2,041
2.	Union Territories	1,861	1,554	3,415
3.	Other Loanees	16,659	35,129	51,788
	Total	**18,899**	**38,345**	**57,244**

Age-wise analysis of loans in arrears is given in **Table 2.6**.

Table 2.6: Age wise details of Loans and Advances in arrears

(₹in crore)

Arrears as on 31 March 2019						
Sl. No.	**Category of Loanee**	**No. of States/ UTs/ Entities**	**Period of arrears (in years)**	**Principal**	**Interest**	**Amount**
1.	States/ UTs Government	22	>25	563	1,626	2,189
		05	15-25	1,677	1,590	3,267
2.	Other Entities	82	>25	6,770	26,448	33,218
		25	15-25	2,965	4,663	7,628
		43	5-15	5,664	3,980	9,644
		9	<5	1,260	38	1,298
	Total	**186**				**57,244**

(Source: Section 2 and 3 of Statement 15)

Ministries and Departments involved in making these advances have stated that records are not available for providing complete information on such advances. Under these circumstances the prospect of any recovery would appear remote.

It is recommended that Ministry of Finance directs the concerned Ministries/ Departments to review the balances of outstanding Loans and Advances for appropriate action in a time bound manner, including write-off, after following extant procedures.

2.4.4 Issues relating to accounting of Integrated Goods and Service Tax (IGST)

In CAG's Report No.2 of 2019 on Accounts of the Union Government for the year 2017-18, it was reported that devolution to States/UTs of IGST amounting to ₹67,998 crore, was not consistent with the scheme of GST/IGST[19]. Instead, IGST is to be apportioned as per the procedure prescribed in the IGST Act. The findings were elaborated in CAG's Report No.11 of 2019- Indirect Taxes- Goods and Services Tax. Government of India was advised to account for its IGST share correctly, apportion 50 *per cent* to the States as per the IGST Act, and thereafter also devolve to States their share under Article 270.

Audit examination of annexure to Statement 1, and Statement 8 of the UGFA of 2018-19, disclosed that during 2018-19 an amount of ₹15,001 crore had been devolved to States/ UTs as share of net proceeds of IGST. It was noted that this amount was accounted under minor head 901- 'Share of Net Proceeds Assigned to States' under Major Head 0008-IGST, even though scheme of GST/IGST does not provide for assignment of share of net proceeds of IGST to States and only provides for its apportionment between the Centre and States/UTs. Audit examination also showed that a sum of ₹13,944 crore was left unapportioned under Major Head 0008 and retained in the CFI though the amended IGST Act now, provides for a process for ad-hoc apportionment of IGST. No reasons were provided by Department of Revenue for non-apportionment of this balance amount.

As a result of the continued adoption of the erroneous process of devolution of IGST to states and retention of unapportioned balance in the CFI instead of first apportioning IGST between the Centre and States/UTs and then devolving States' share from the amount apportioned to the Centre, States had overall received less funds on account of IGST. This also implies that tax receipts of the GoI were overstated to that extent and the revenue deficit understated during the year.

It is thus, recommended that the devolution/apportionment of IGST and its accounting, be reviewed and aligned with the extant Constitutional and Statutory provisions.

2.4.5 Mismatch between disbursement from the Reserve Fund and expenditure met from Fund

The amount disbursed from any Reserve Fund shown in Statement No. 13 of UGFA and figures for expenditure met from the fund given in Statement No. 9 of UGFA should exactly match. As detailed in **Table 2.7**, there was a difference

[19] Article 269A(1) of the constitution and the IGST Act provide for levy of IGST and apportionment between the Union and States/UTs. Article 270 of the Constitution excludes duties levied under Article 269A from list of duties and taxes to be distributed between Union and States but provides for IGST apportioned to the Centre under Article 269A(1) to be distributed between Centre and States/UTs.

of ₹13.84 crore between disbursement from the Reserve Fund shown in Statement No. 13 and expenditure shown as met from the Reserve Fund in Statement No 9 of UGFA.

Table 2.7: Details of mismatch of disbursement from designated Fund

(₹in crore)

Sl. No.	Name of Fund	Amount disbursed from Fund	Expenditure met from Fund	Difference
1	Prarambhik Shiksha Kosh (PSK)	24,842.49	24,856.25	13.76
2	Central Road Fund (CRF)	72,018.73	72,018.65	0.08

2.5 Issues relating to accounting of Cesses and levies.

Government imposes cesses, levies and other charges to raise funds for specific purposes. Accounting of collection of such receipts is, in most cases, regulated by legislation and rules which often provide for creation of Reserve Funds to ensure that these cesses/ levies/charges are used for intended purposes. It is the responsibility of the Controller General of Accounts in the Ministry of Finance to frame the appropriate accounting procedures for the monitoring of such receipts, including initiating the operation of appropriate Reserve Funds in the Public Account.

Audit observed, however, that out of the ₹2,74,592 crore[20] received from 35 cesses, levies and other charges in 2018-19, only ₹ 1,64,322 crore had been transferred to Reserve Funds/ Boards[21] during the year and the rest was retained in the CFI. This included collections amounting to ₹382 crore[22] on account of 17 cesses abolished/subsumed in GST with effect from 1 July 2017, which were retained in the CFI. Consequently, not only was the revenue/ fiscal deficit understated due to the non-transfer of these amounts to Reserve Funds, failure of the Ministry of Finance to create/ operate essential Reserve Funds makes it difficult to ensure that the cesses etc., had been utilised for the specific purposes intended by the Parliament.

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[20] Major cesses include GST Compensation Cesses (₹95,028 crore or 35 *per cent*), Road and Infrastructure Cess (₹51,273 crore or 19 *per cent*), Additional Excise Duty in High Speed Diesel Oil and Motor Spirit (₹59,580 crore or 22 *per cent*), Health and Education Cess (₹41,177 crore or 15 *per cent*).

[21] The legislation for Crude Oil Cess and R&D Cess provides for transfer of receipts to Oil Industry Development Board (OIDB) and Technology Development Board (TDB) respectively.

[22] This is the net figure for receipts of ₹410 crore from 14 cesses and refunds of ₹28 crore in the case of three cesses.

Observations relating to collection and accounting of important cesses and levies are given below.

2.5.1 GST Compensation Cess

The GST Compensation Cess Act, 2017 provides for levy of a cess for the purpose of providing compensation to the States for loss of revenue arising due to implementation of GST for a period specified in the Act. As per the Act and the accounting procedure, the entire cess collected during the year is required to be credited to a non-lapsable Fund (the GST Compensation Cess Fund) which shall form part of the Public Account and shall be used for the purpose mentioned i.e., for providing compensation to the States for loss of revenue.

Audit examination of information in Statements 8, 9 and 13 with regard to collection of the cess and its transfer to the GST Compensation Cess Fund, shows that there was short crediting to the Fund of the GST Compensation Cess collections totalling to ₹47,272 crore during 2017-18 and 2018-19. Details are given in **Table 2.8** below:

Table 2.8: Short crediting of GST Compensation Cess

(₹in crore)

Sl. No.	Year	Total collected	Total transferred to Fund	Short Transfer
1.	2017-18	62,612	56,146	6,466
2.	2018-19	95,081	54,275	40,806

The short-crediting was a violation of the GST Compensation Cess Act, 2017. The amount by which the cess was short credited was also retained in the CFI and became available for use for purposes other than what was provided in the act. Ministry accepted the audit observation and stated (February 2020) that the proceeds of cess collected and not transferred to Public Account would be transferred in subsequent year. Short crediting of cess collected during the year led to overstatement of revenue receipts and understatement of fiscal deficit for the year. Further, any transfer in the subsequent year would become an appropriation from the resources of that year and would require Parliamentary authorisation.

Further, as per the approved accounting procedure, GST Compensation cess was to be transferred to the Public Account by debit to Major Head '2047-Other fiscal services'. Instead, Ministry of Finance operated the Major Head '3601-Transfer of Grants in aid to States'. The wrongful operation has implications on the reporting of Grants in aid, since the GST Compensation Cess is the right of the States and is not a Grant in aid.

It is recommended that Ministry of Finance take immediate corrective action.

2.5.2 Road and Infrastructure Cess

Cesses in the nature of additional excise duties on petrol and diesel collected under the Central Road Fund Act, 2000 are to be credited to the Central Road Fund (CRF) to the extent provided by Parliament through appropriation by law. The

Finance Act, 2018 re-designated the Fund as the Central Road and Infrastructure Fund (CRIF) with effect from 01 April 2018 enlarging its scope of deployment[23] and increasing the quantum of cess.

Audit scrutiny of Statements 8 and 13 of the UGFA and information in budget statements revealed that Statement 13 continues to depict the Fund as CRF instead of CRIF. Further, against total collection of cess of ₹1,10,847 crore under the CRIF Act, Parliament approved ₹1,03,987 crore for appropriation. However actual transfer to the Fund was only ₹73,130 crore[24]. Part of the short transfer was due to erroneous transfers of ₹13,000 crore and ₹3,680 crore to the Railway Safety Fund by the Ministry of Railways and to 'Other Funds' by the Ministry of Power, respectively. These funds were, however, fully utilised for the purposes for which the CRIF had been created. Similarly, ₹10,880 crore was not transferred to CRIF on the tenuous ground that accounting procedures for CRIF had not been finalised; the amount, however, was spent for intended purposes as General Budgetary Support (GBS). This left ₹10,157 crore which was not transferred/ utilized for the purpose for which the cess was collected.

It is recommended that Ministry of Finance review the balance amount of cesses collected under the CRF/ CRIF Act so that amounts not spent for the intended purposes are computed and transferred to the CRIF.

2.5.3 Health and Education Cess

In the Financial Year 2018-19, Primary Education Cess (@ two *per cent* on all taxes) and Secondary and Higher Education Cess (@ one *per cent* on all taxes) on Income Tax and Corporation Tax were discontinued, and in their place, a new cess viz., the Health and Education Cess at the rate of four *per cent* was introduced. The Primary Education Cess and SHEC on imported goods were also removed and replaced with a Social Welfare Surcharge on duties of customs to provide for social welfare schemes of the Government.

Observations based on audit scrutiny of Statements 8, 9 and 13 of UGFA with regard to collection of the above mentioned cesses and their transfer to dedicated reserve funds, are as follows:

a) During 2018-19, the total collection under the above cesses was ₹41,309.07 crore. Though the new Health and Education Cess was levied at a composite rate of four *per cent*, the principles on which these total collections would be allocated between Health Sector and Education Sector and within the latter between Primary Education and Secondary and Higher Education were not spelt out.

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[23] Development and maintenance of National Highways, development of rural roads, development and maintenance of other state roads, construction of roads either under or over the railways, conversion of existing standard lines into gauge lines and electrification of rail lines and undertaking other infrastructure projects etc.

[24] Also refer Para 2.3.1 where mention is made of transfer of receipts under CRF by JE for ₹10,250 crore as Non-tax receipts.

b) As no new reserve funds had been created for the Health and Education Cess, BEs and REs for 2018-19 continued to provide for transfer of proceeds of this cess to the erstwhile Prarambhik Shiksha Kosh (PSK) and Madhyamik and Ucchatar Shiksha Kosh (MUSK) that were created for Primary Education Cess and Secondary and Higher Education Cess respectively. In the REs for 2018-19, ₹25,227.9 crore was approved for transfer to PSK and ₹12,608.98 crore was approved for transfer to MUSK. In the case of PSK, the entire approved amount was actually transferred to the fund. In the case of MUSK, no transfers were actually made as the reserve fund was yet to be operationalized. However, audit scrutiny showed that ₹11,631.87 crore was directly utilized for heads/ schemes that had been proposed to be funded through MUSK, leaving a shortfall of ₹437.12 crore. No expenditure was envisaged for the health sector out of the cess, nor was any dedicated fund created for the purpose.

c) Collections during the year from the 'Social Welfare Surcharge' on Customs which was introduced in replacement of Primary Education Cess and SHEC on imports, amounted to ₹8,871.19 crore. However, no dedicated fund was created to ensure that the collected amounts were spent for the purpose for which these were collected.

In the absence of a procedure for allocation of the cess between Health and Education Sector and between Primary Education and Secondary and Higher Education; non-operationalization of MUSK and absence of a fund for Social Welfare Surcharge there is no assurance that a framework existed for ensuring that cesses/ levies collected would be used for the purpose for which these had been collected.

2.5.4 Cess on Crude Oil

The Oil Industry (Development) Act, 1974 provides for establishment of a Board, the Oil Industry Development Board (OIDB), for the development of Oil Industry and for that purpose, levy a duty of excise on crude oil and natural gas as a cess. The Act provides for crediting the cess first in the CFI and thereafter paying to the Board such sums as Parliament may approve, to be kept in the Oil Industry Development Fund. This Fund was *inter-alia*, to be used for taking up measures conducive for the development of the oil industry.

Audit scrutiny of Statement 8 of UGFA for the years 2009-10 to 2018-19 shows that the total cess on crude oil collected was ₹1,24,399 crore. As per the List of Major and Minor Heads, payment of net proceeds of the Cess to OIDB was to be accounted under a specific Minor Head i.e., 106 under Major Head 2802.01 Petroleum. Scrutiny of Statement 9 of UGFA for the above mentioned years show that no funds were transferred out of net proceeds of cess to OIDB. Due to non-transfer to OIDB, the cess was retained in CFI. As a result, there was no assurance if the cess was used for the purpose for which these were collected.

2.5.5 Universal Access Levy

The Universal Service Obligation (USO) Fund was set up in April 2002 for achieving universal service objectives by providing access to telephone services in rural and remote areas and creation of infrastructure for mobile services and broad band in these areas. The resources for meeting these obligations were to be raised through a 'Universal Access Levy' (UAL). The levy so collected is first credited to the CFI and subsequently, transferred, based on the appropriation approved by Parliament, to a non-lapsable USO Fund created in the Public Account for being utilized exclusively for the purposes for which the levy is collected.

The issue of short transfer of the levy to the USO Fund had been brought out in successive reports of the CAG on the Union Accounts for the years 2009-10 to 2014-15 but is yet to be corrected.

For the year 2018-19, Parliament had approved the transfer of UAL amounting to ₹10,000 crore to the USO Fund in the BEs. Audit scrutiny of Statements 8, 9 and 13 of UGFA 2018-19, shows that total collection of UAL during the year was however, only ₹6,911.50 crore of which only ₹4,788.22 crore was transferred to the USO Fund. Thus, there was short transfer of UAL to the USO Fund amounting to ₹2,123 crore.

2.5.6 National Mineral Trust Levy

The Union Government set up the National Mineral Exploration Trust in 2015-16 in accordance with the Mines and Minerals (Development and Regulation) (MMDR) Act. The Trust is funded through payments made by holders of mining leases as a percentage of royalty paid which is collected by State Governments and thereafter paid to the Union Government. The amount so collected is to be transferred to the National Mineral Trust Fund in the Public Accounts. Scrutiny of Statements 8, 9 and 13 shows that the collection on this account was ₹199 crore and transfer to the fund was ₹120 crore, resulting in short transfer of ₹79 crore.

2.5.7 Discontinued/ Abolished Cesses

i) Several cesses were subsumed under the Goods and Services tax (GST) w.e.f. July 2017. Audit noticed that the collections against these abolished cesses had continued during 2018-19 and a total amount of ₹414.51 crore was collected on account of these abolished cesses and deposited in the Consolidated Fund of India as per details given in **Table 2.9**.

Table 2.9: Collection of cesses subsumed in GST

(₹in crore)

S.No.	Name of Cess	Amount
1	Krishi Kalyan Cess	168.89
2	Clean Energy Cess	4.88
3	Infrastructure Cess	6.36
4	Cess on Jute	0.16
5	Cess on Tobacco	0.07
6	Cess on Rubber	4.27
7	Cess on Sugar	13.40
8	Cess on Automobiles	0.08
9	Swachh Bharat Cess	216.40
Total Collection		**414.51**

ii) Under the R&D Cess Act, 1986 a cess was levied on all payments made for the import of technology. This money was meant for being disbursed to the Technology Development Board (TDB). The issue of short disbursement of cesses to the TDB had been covered in successive reports of the CAG on Union Accounts, and remains unresolved. Out of the ₹8,122 crore collected under R&D Cess from 1996-97 to 2018-19, only ₹879 crore (10.82 *per cent*) was disbursed to TDB. Further, though the cess was abolished with effect from April 2017, cess amounting to ₹191.41 crore and ₹45.34 crore was irregularly collected during 2017-18 and 2018-19 respectively.

Though the continued collections appear to be on account of arrears pertaining to earlier years, it recommended that Ministry of Finance devise a mechanism to ensure that collections against these cesses post their abolition, are put to use in sectors/ areas compatible with the purposes for which the cesses had been collected.

Chapter 3: Observations on Appropriation Accounts

3.1 Introduction

The Appropriation Act enacted by the Parliament authorises 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 Constitution, and for disbursements charged on the CFI. Parliament also 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 scrutinised 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 Posts[25] prepare the Appropriation Accounts of their respective Grants. These Accounts compare grant/ appropriation[26]-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 and Departments comply with legislative authorisation during the year.

The Appropriation Accounts for 2018-19 cover approved provisions aggregating to ₹97,58,002.23 crore, and total expenditure thereon amounting to ₹92,91,269.23 crore. Details are given in **Table 3.1.** Segment[27]-wise details are given at **Annexure 3.1**.

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25 Controller General Defence Accounts, Financial Commissioner (Railways), and Member (Finance) Posts respectively.

26 '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 93 'Grants' in 2018-19.

27 Each grant/ appropriation has four segments viz., Revenue (Charged); Revenue (Voted); Capital (Charged); and Capital (Voted).

Table 3.1: Details of provisions and expenditure

(₹in crore)

Appropriation Accounts	Number of Grants/ Appropriations	Original Provision	Supplementary Provision	Total Provision	Actual Expenditure
Civil	95	86,86,773.81	2,92,669.90	89,79,443.71	85,27,331.89
Defence	02	2,99,107.94	2,901.39	3,02,009.33	3,06,928.28
Posts	01	29,272.56	669.16	29,941.72	28,805.63
Railways	01	4,46,369.78	237.69	4,46,607.47	4,28,203.43
Total	**99**	**94,61,524.09**	**2,96,478.14**	**97,58,002.23**	**92,91,269.23**

This Chapter contains audit observations on the Appropriation Accounts. Important observations relate to excess expenditure requiring regularisation by Parliament; significant unspent provisions; unnecessary re-appropriations; supplementary provisions obtained without requirement; delayed surrender and non-surrender of funds; expenditure in excess of budgetary provision; and misclassification of expenditure.

3.2 Variations from Authorisation

Article 114(3) of the Constitution provides that no money shall be withdrawn from CFI except under appropriations made by law. In addition, 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) has in several of its reports, made observations regarding large savings in the grants of Ministries and Departments. The 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 (13th Lok Sabha 2000-2001), PAC 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, Ministry of Finance advised[28] Ministries/Departments to make a more careful formulation of plan/schemes and make a realistic assessment of fund requirement.

Despite the above, the position with regard to savings and excess over budgetary provisions continues. Such variations have been analysed in the subsequent paragraphs.

[28] Vide OM No.F.7(6)-B(R)/2001 dated 20 July 2001 and reiterated in OM F. No. 7(1)/B(D)/2006 dated 22 July 2015

3.2.1 Analysis of excess expenditure over Grants/Appropriations

Four grants showed excess expenditure of ₹5,204.56 crore over Parliamentary authorisation during 2018-19 (after netting savings if any within the segment). Details are given in **Table 3.2**.

Table 3.2: Excess expenditure over Grants/ Appropriations

(₹in crore)

<table>
<tr><th>Sl. No.</th><th>Description of Grant</th><th>Total Provision</th><th>Total Expenditure</th><th>Excess Expenditure</th></tr>
<tr><td>1.</td><td>20-Defence Services (Revenue)-Revenue Voted</td><td>2,07,822.32</td><td>2,11,663.64</td><td>3,841.32</td></tr>
<tr><td colspan="5">Excess expenditure was mainly under ‘Pay and Allowances’ for Army and ‘Stores’ for all the three services. Ministry of Defence (MoD) termed the excess under ‘Pay and Allowances’ as unavoidable due to the personnel in position and the excess under ‘Stores’ as including expenditure on items such as armaments, ammunition and spares, and obligatory contractual payments. It is noted that though MoD had projected these additional requirements at the BE and supplementary demands stage, MoF did not include these in the demands for grants made to Parliament.</td></tr>
<tr><td>2.</td><td>21-Capital Outlay on Defence Services- Capital Voted</td><td>93,897.78</td><td>95,155.07</td><td>1,257.29</td></tr>
<tr><td colspan="5">Excess expenditure was primarily booked under minor Heads relating to Other Equipment (for Army and Navy), Naval Fleet and Naval Dockyards. MoD attributed these to committed contractual payments and additional payment on projects. It is to be noted that, here also, MoD had projected these additional requirements at the BE and supplementary demands stage, but MoF did not include these in the demands for grants made to Parliament.</td></tr>
<tr><td>3.</td><td>56-Ministry of Housing and Urban Affairs-Revenue Charged</td><td>92.22</td><td>92.44</td><td>0.22</td></tr>
<tr><td colspan="5">The Ministry attributed the excess towards payment of interest-bearing arbitration awards.</td></tr>
<tr><td>4.</td><td>80-Ministry of Railways-Capital Charged</td><td>359.11</td><td>464.84</td><td>105.73</td></tr>
<tr><td colspan="5">The Ministry stated that the excess was due to more decretal payments materializing than anticipated.</td></tr>
<tr><td colspan="4">Total</td><td>5,204.56</td></tr>
</table>

The above excesses are a violation of Article 114(3) of the Constitution which stipulates that no money shall be spent without authorisation of Parliament. It is recommended that rather than permitting such continued violations of Parliamentary will, it should be independently examined as to what extent the expenditure was actually inevitable, why MoF did not provide for such expenditure, and how, despite lack of Parliamentary allocation and budget, the Pay and Accounts Officers in the concerned Ministries and Departments cleared the excess expenditure. MoF should also evolve a failsafe system so that there are no cases of excess over grants.

3.2.2 Analysis of Savings

During 2018-19, the total savings under all the grants and appropriations, was ₹4,71,937.56 crore[29] and constituted 4.84 *per cent* of total authorisations. Savings of ₹100 crore or more occurred in 79 segments of 57 Grants/ Appropriations and amounted to ₹4,69,669.55 crore. Details are given in **Annexure 3.2.**

(A) Significant savings

Savings of ₹5,000 crore or more were recorded under 13 Grants/ Appropriations. Details are given in **Table 3.3**.

Table 3.3: Significant savings

(₹in crore)

Sl. No.	Description of Grant/Appropriation	Total Grant/ Appropriation	Expenditure	Savings[30]
1.	01-Department of Agriculture, Cooperation and Farmers' Welfare	67,878.70	46,583.50	21,295.20
There were savings of ₹11,940.01 crore under the Farmers' Income Support Scheme. Ministry attributed the savings to operation of the Election Model Code of Conduct (MCC) which affected uploading of beneficiary data by States. In addition, total savings of ₹3,496.52 crore were recorded under three schemes viz., Interest Subsidy for Short Term Credit to Farmers; Pradhan Mantri Krishi Sinchai Yojana (PMKSY) and Krishonnati Yojana which were attributed to non-finalization of expenditure proposals and availability of unspent balances with implementing agencies.				
2.	14-Department of Telecommunications	38,885.12	28,733.17	10,151.95
Savings were on account of transfer of Universal Access Levy (UAL) to Universal Service Obligation (USO) Fund being less than what was estimated by ₹5,211.78 crore. This was attributed to expenditure on related schemes /projects being less than what was estimated by the same amount. This explanation is not acceptable, as in terms of the Indian Telegraph (Amendment) Act, 2003, subject to Parliamentary approval, the entire UAL received is to be transferred to the non-lapsable USO Fund. For 2018-19, against the approved budgetary provision for transfer of levy to the USO Fund of ₹10,000 crore actual collection was only ₹6,911.50 crore of which only ₹4,788.22 crore was transferred to the USO Fund leading to short transfer (actual savings) of ₹2,123.28 crore.				
3.	16-Department of Food and Public Distribution	2,28,407.25	1,19,546.90	1,08,860.35
Savings of ₹69,889.71 crore occurred when, on directions of MoF at the end of the financial year, subsidy payments already made to FCI were reversed and replaced with loans from the National Small Savings Fund (NSSF), attracting interest payments at 8.52 *per cent*. In addition, savings occurred when MoF failed to release ₹38,000 crore against the budget provision for 'Ways and Means Advances' to FCI. Further, against supplementary provision of ₹1,000 crore for investment in the equity capital of FCI, MoF approved equity infusion of only ₹500 crore.				

29 These are without netting excess expenditure as given in Table 3.2.
30 These are net of excess under the same grant.

<table>
<tr><td>4.</td><td>22-Defence Pensions</td><td>1,08,853.30</td><td>1,01,774.61</td><td>7,078.69</td></tr>
<tr><td colspan="5">Despite MoD projecting the full requirement at the BE, MoF reduced the provision at RE stage. Consequently, savings of ₹5,000 crore occurred when, in violation of basic accounting principles, the Accounting Authorities in the Ministry of Defence reversed expenditure of ₹5,000 crore already incurred, and booked the expenditure under ‘suspense’ head. The reduction of budgetary provision for an inevitable expenditure by MoF and the violation of accounting principles by the Accounting Authorities merits examination for appropriate action.</td></tr>
<tr><td>5.</td><td>29-Department of Economic Affairs</td><td>31,810.94</td><td>22,950.19</td><td>8,860.75</td></tr>
<tr><td colspan="5">Savings under this grant included savings of ₹1,000 crore due to non-transfer of funds to the National Investment Fund (NIF) for investment in the Strategic and Social Infrastructure Finance Corporation of India; less purchase of coins (₹1,207.32 crore) due to downward revision of indent of coins, lesser lifting of coins by RBI and carrying over of re-imbursement of claims (₹552.16 crore) to the next year; non-disbursement of ₹1,000 crore under Loans to IMF and non-utilisation of the entire lump sum provision of ₹3,000 crore under heading ‘New Schemes’ due to schemes not materializing.</td></tr>
<tr><td>6.</td><td>33-Department of Revenue</td><td>1,80,949.72</td><td>1,24,424.97</td><td>56,524.75</td></tr>
<tr><td colspan="5">GST compensation cess is levied to compensate States/ UTs for the revenue loss caused by implementation of the GST Act. The entire cess collected is required to be transferred to the GST Compensation Fund in the Public Account. Thereafter, releases are to be made from the Fund to the States towards compensation for revenue loss. During 2018-19, there was budget provision of ₹90,000 crore for transfer to the Fund and an equal amount was budgeted for release to States as compensation. However, though ₹95,081 crore was collected during the year as GST compensation cess, Department of Revenue transferred only ₹54,275 crore to the Fund. From the Fund it paid out ₹69,275 crore (inclusive of an opening balance of ₹15,000 crore in the Fund) as compensation to the States/ UT. This resulted in savings of ₹35,725 crore on account of short transfer to the Fund and of ₹20,725 crore on account of payment of compensation to the States/ UTs as against BEs of ₹90,000 crore each for transfer and payment of compensation.</td></tr>
<tr><td>7.</td><td>38-Repayment of Debt</td><td>61,91,567.49</td><td>60,64,945.38</td><td>1,26,622.11</td></tr>
<tr><td colspan="5">The overall savings in this category is mainly due to less investment by State Governments of their surplus balances in 14 day and 91 days treasury bills of Government of India.</td></tr>
<tr><td>8.</td><td>40-Transfers to States</td><td>1,65,774.34</td><td>1,37,962.86</td><td>27,811.48</td></tr>
<tr><td colspan="5">Savings of ₹ 15,669.92 crore were due to less payment of ‘Grants for Local Bodies’ and were attributed by the Department to non-fulfillment of prescribed terms and conditions for release of the grants by some State Governments. Besides, savings of ₹10,314.19 crore were due to less disbursal under ‘Special Assistance-States’ and were ascribed to non-receipt of viable proposals from State Governments.

The explanations given are not acceptable and show that shortfalls on the part of States in submission of proposals were not monitored and followed up by the Departments concerned.</td></tr>
<tr><td>9.</td><td>56-Ministry of Housing and Urban Affairs</td><td>50,254.70</td><td>40,874.26</td><td>9,380.44</td></tr>
<tr><td colspan="5">Although the Ministry failed to transfer ₹6,505 crore to the Central Road and Infrastructure Fund (CRIF) citing absence of accounting procedure, the amounts which were to be spent on PMAY (Urban) scheme were met from gross budgetary support, which is acceptable.

However, investments of ₹559 crore and loans of ₹600 crore, both to ‘MRTS and Metro Projects’, were not made, resulting in savings on this account.</td></tr>
</table>

10.	57-Department of School Education and Literacy	87,392.86	78,009.81	9,383.05
Although the Department failed to transfer ₹4,413.14 crore to the Madhyamik and Ucchatar Siksha Kosh (MUSK) and ₹2,925.85 crore meant for Navodaya Schools to the CRIF due to failure to finalise accounting procedures relating to 'Secondary and Education Cess' and CRIF respectively, the expenditure had largely been incurred from CFI for the schemes/purposes for which the funds were to be transferred. This is acceptable.				
11.	58-Department of Higher Education	50,314.48	39,022.09	11,292.39
Similarly, although ₹8,195.84 crore pertaining to MUSK was not transferred, the expenditure was largely met from the CFI directly. This is acceptable. Savings of ₹521.06 crore were attributed to approved cost ceilings and reduction in proposals received from Indian Institutes of Managements (IIM).				
12.	80-Ministry of Railways	4,46,607.47	4,28,203.43	18,404.04
The Ministry attributed the savings of ₹10,555.69 crore under revenue section to lesser generation of internal resources leading to lesser transfers to designated Funds. Out of savings of ₹7,848.35 crore under capital section, ₹6,842.64 crore was on account of regulation of capital expenditure from Railways funds in tune with reduction in Appropriation to these funds.				
13.	81-Ministry of Road Transport and Highways	1,59,582.53	1,52,169.54	7,412.99
Significant savings were due to short transfer of ₹3,797.28 crore to Reserve Funds (i.e., CRIF and NIF); less expenditure of ₹1,127 crore on 'Grants for State Roads'; less transfer of ₹2,967.89 crore on 'National Highway Authority of India'. The savings were netted against excesses within the grant, and were attributed to budget cuts at RE stage.				

(B) Other significant savings at minor-head/sub-head level

Audit also scrutinized other significant savings i.e., savings of ₹500 crore or more and constituting 25 *per cent* of sanctioned provision, at minor-head/ sub-head level under grants/ appropriations other than those dealt with in (A) above. Details are given in **Table 3.4.**

Table 3.4: Significant savings at minor-head/sub-head level

(₹in crore)

Sl. No.	Sub-head	Sanctioned provision	Actual disbursement	Savings
Grant No. 4- Department of Atomic Energy (DAE)				
1.	2801.03.101.08-PHWR Fuel for other Stations	3,154.71	2,296.57	858.14
DAE stated that the savings were due to reduction of provision at RE stage by the Ministry of Finance.				
Grant No. 19-Ministry of Defence (Misc.)				
2.	5054.02.797.01 - Works under Border Road Organisation (BRO)	820.01	0.00	820.01
Though above savings represent non-transfers to the CRF/ CRIF due to pending accounting procedure, an equivalent amount was directly spent by BRO from the CFI.				

Grant No. 31-Department of Financial Services				
3.	4416.00.190.01 - Subscription to Share Capital of NABARD	3,500.00	2,000.00	1,500.00
Though the Department attributed the savings to lesser requirement for financing of Government of India schemes through NABARD, it is not clear why this could not have been anticipated at the stage of budget formulation.				
4.	3465.01.190.08 - Assistance to National Credit Guarantee Trustee Company (NCGTC)	1,000.01	500.00	500.01
Though the Department attributed the savings to availability of unspent balances with the implementing agencies, it is not clear why this could not be factored in while framing BEs.				
5.	5465.01.190.39 - Equity Capital to Micro Unit Development Refinance Agency (MUDRA) Bank	600.00	0.00	600.00
The savings were due to reduction of provision at RE stage due to Government decision to stop equity support.				
Appropriation No. 37-Interest Payment				
6.	Various sub-heads relating to Compensation and other Bonds; Premium payment on buyback of Government securities; Management of Debt and Interest on Ways and Means Advances from RBI	8,180.85	3,986.35	4,194.50
The Department had availed of supplementary provision of ₹2,000 crore of which ₹1,416.78 crore was unnecessary.				
Grant No. 42-Department of Health and Family Welfare				
7.	2210.06.001.09 - Flexible Pool for Communicable Diseases	2,978.00	1,489.61	1,488.39
₹1,197.55 crore was surrendered due to non-procurement of drugs and supplies under National Vector Bone Disease Control Programme (NVBDCP) and Revised National Tuberculosis Control Programme (RNTCP). Other savings were due to non-filling up of vacant posts, receipt of less claims and non-acceptance of bills by the payment processing system. In this connection, Government may need to separately examine the adverse impact caused by such non-procurement of drugs for critical illnesses and non-payment of bills for supplies made and medical services rendered.				
Grant No. 72-Ministry of Petroleum and Natural Gas				
8.	4802.02.190.04-Gas Authority of India	1,708.00	0.00	1,708.00
The savings were due to shifting the provision from the capital (for investment in GAIL[31]) to the revenue section (grants for creation of capital assets). However, ₹477.40 crore of the shifted provision was unutilized due to delay in construction under the pipeline project.				

[31] Phulpur Dhamra- Haldia projects; IIPE, Vishakhapatnam, CEE Bangalore and CEE Assam

Grant No.82- Department of Rural Development				
9.	3054.80.797.03-Transfer to Central Roads Fund	15,994.50	11,129.00	4,865.50
Though Department stated that savings were due to lesser availability of funds for transfer due to lesser collection of cess, this is not supported by facts as collection of the cess at ₹1,10,847 crore was higher than the estimated amounts both at BE and RE stage of ₹83,374 crore and ₹1,03,987 crore, respectively.				
10.	3601.06.101.29-Shyama Prasad Mukherjee Rural + Urban (RURBAN) Mission	916.76	407.76	509.00
11.	2216.03.105.08-Indira Awaas Yojana-Programme Component	1,192.98	656.35	536.63
Department attributed the savings to non-receipt of viable proposals and lesser requirement of funds.				
Grant No. 91-Department of Space				
12.	5402.00.101.56 - Indian Space Research Organisation Headquarters (ISRO Hq)	1,011.45	282.83	728.62
The savings pertain to sale of land by HMT, which could not materialise due to non-securing of NOC from the Karnataka Government.				
Grant No. 94-Ministry of Textiles				
13.	2852.08.202.65-Amended Technology Up-gradation Fund Scheme	2,300.00	615.68	1,684.32
Savings were due to non-receipt of claims and delay in finalizing expenditure proposals.				
Grant No. 97-Ministry of Water Resources, River Development & Ganga Rejuvenation				
14.	2701.80.800.23-Pradhan Mantri Krishi Sinchai Yojana (Har Khet Ko Pani)	2,300.00	1,430.19	869.81
Ministry attributed the savings to requirement of less funds for interest payment to NABARD and hiring of fewer professionals. This explanation is not acceptable as it indicates unrealistic estimation.				
15.	3435.04.101.08 - National Ganga Plan	2,250.00	637.50	1,612.50
Ministry attributed the savings to availability of unspent balance of previous year with National Mission for Clean Ganga. This is not acceptable as this should have been taken into account during budget formulation.				
Grant No. 98-Ministry of Women and Child Development				
16.	2235.02.102.42-Integrated Child Development Scheme (ICDS)	1,942.49	908.13	1,034.36
The savings were due to Ministry's inefficiencies in scheme performance, leading to delay in finalisation of contract with service provider for cloud services; delays in procurement of smart phones; non-receipt of utilisation certificates and availability of unspent balance of previous years with the State Governments.				

(C) Summing up of Savings (given at A and B above)

(i) Savings of ₹1,31,073.18 crore were on account of regulation of expenditure both at RE stages and thereafter. This mainly included ₹69,889.71 crore due to withdrawal of food subsidy to FCI; ₹35,725 crore due to short transfer of GST Compensation Cess to GST Compensation Fund; ₹5,000 crore due to reversal of expenditure on Defence pension; ₹6,842.64 crore on regulation of capital expenditure for Railways and reduction in provisions at RE stage of ₹4,953.05 crore due to lesser receipts.

(ii) Although there were saving of ₹22,039.83 crore on account of less than budgeted transfer of funds to Madhyamik and Uchhattar Shiksha Kosh (MUSK) and CRIF due to non-finalisation of accounting procedures, the amounts were directly incurred for the intended activities from the CFI.

(iii) Savings of ₹43,104.51 crore occurred due to reasons like finalisation of fewer spending proposals; non-receipt of viable proposals from States; non-receipt of utilisation certificates; schemes not being formulated or not materialising and delays in grant of approvals. These represent gaps and shortfalls in performance in schemes and activities for which allocations had been made.

(iv) Savings of ₹1,43,999.12 crore occurred due to factors such as unspent balances not being considered; revision in funding decisions and fund requirements after BE stage; gaps in cash flow forecasting and debt planning; inaccurate assessment of internal resource generation and budgeting of funds under wrong section of grant. These indicate gaps with respect to budget formulation and assessment.

3.3 Unnecessary supplementary provisions and re-appropriation of funds

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[32]' or 'New Instrument of Service[33]'.

Audit scrutiny of cases where supplementary provision of ₹10 crore or more was made in addition to original provisions, showed that, in 13 sub-heads under nine grants/ appropriations, supplementary provisions amounting to ₹538.17 crore were obtained during 2018-19 in anticipation of higher expenditure but final expenditure was even less than the original provisions. Thus, the supplementary provisions were unnecessary.

Further, re-appropriation of funds is permitted within different heads of accounts under the same Grant segment subject to certain restrictions. It was noticed in a test check of cases of re-appropriations of ₹10 crore or more, that funds aggregating to ₹589.20 crore pertaining to nine sub-heads in six grants were re-appropriated but remained unutilised at the close of the financial year.

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32 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.

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

3.4 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 2018-19 showed that excess expenditure of ₹25 crore or more aggregating to ₹12,751.02 crore, was incurred under 32 minor/ sub-heads relating to 11 Grants/ Appropriations, without ensuring adequate provisioning of funds. Thus, the above mentioned authorities violated the GFR. Details are given in **Annexure 3.3**.

3.5 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[34] a deadline of 20 March 2019 for Ministries/ Departments for intimating to it all surrenders of savings under each unit of Appropriation.

Audit noted that out of savings of ₹4,52,111.82 crore under Civil Grants/ Appropriations, 39.07 *per cent* (₹1,76,630.70 crore) of total savings during the year was not surrendered, but was allowed to lapse.

Audit scrutiny of surrenders of ₹100 crore or more in the case of Civil Grants/ Appropriations revealed that ₹67,825.68 crore relating to 17 Civil Grants/ Appropriations, was surrendered on 31 March 2019**.** Details are given in **Annexure 3.4**.

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

3.6 Implementation of Public Financial Management System (PFMS)

In terms of Rule 86(1) of GFR 2017, Public Financial Management System (PFMS), shall inter-alia, be used for fund flow management and financial reporting. Further, Rule 86(5) of GFR, 2017 stipulates that all re-appropriation and surrender orders are to be generated through PFMS.

Audit was provided a report titled ‘Detailed Budget Report’ which was generated through PFMS and amongst others, contained details of surrenders. This report was scrutinized (19 August 2019) in respect of 48 Grants which showed that in the case of 27 Grants, surrender details were either not available or were incomplete.

[34] Ministry of Finance O.M F. No. 2(13)-B(D)/2018 dated 05 March 2019

As a result, data contained in the Grant Statements could not be validated against data contained in PFMS for these grants.

3.7 Outstanding liabilities under Defence (Civil) Grants due to inadequate provision

Bills amounting to ₹2,201.06 crore under Grant No. 19- Ministry of Defence (Misc.) remained unpaid at the close of 2018-19 due to non-availability of funds. For the same reason, bills for supplies and materials amounting to ₹73 crore under the Stores head of account remained unpaid, even while ₹12.15 crore was surrendered from this head during 2018-19.

In violation of basic accounting principles, the Accounting authorities did not book expenditure of approximately ₹14,000 crore under Grant No.22-'Defence Pension', and instead, continued to be held under 'Suspense'. This is in addition to the reversal of expenditure of ₹5,000 crore under Pension head brought out in para 3.13 of this chapter. It is recommended that the violation be viewed seriously and appropriate punitive and corrective action taken.

3.8 Expenditure incurred without a budget line

Article 114(3) of the Constitution of India provides that no money shall be withdrawn from the Consolidated Fund of India except under appropriation made by law. Article 115 provides for obtaining supplementary demands for Grants if a requirement arises for supplementary or additional expenditure upon some new works/services not contemplated in the budget.

Audit scrutiny of revealed that, in violation of the above Constitutional provisions, the concerned Accounting Authorities incurred expenditure of ₹243.86 crore under two sub-heads[35] under Appropriation No.37-'Interest Payments' without any budget provision or any re-appropriation of funds.

Department of Economic Affairs stated that this was due to shifting of expenditure into a dedicated head of account. The above explanation is not acceptable as incurring expenditure without a budget provision is violative of Constitutional provisions.

3.9 Failure to obtain Legislative approval for augmenting provisions.

MoF stipulated[36] 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[37] was of the view that MoF should institute mechanisms for ensuring that provisions under the above object

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35 2049.01.129-Interest on Sovereign Gold Bond Scheme, 2015 (₹208.58 crore) and 2049.01.130-Interest on Gold Monetisation Scheme, 2015 (₹35.28 crore)

36 Department of Economic Affairs orders (May 2006) and clarifications thereon (May 2012 and July 2015)

37 PAC 83rd Report (2012-13) 15th Lok Sabha.

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 ₹2,055.27 crore occurred across seven grants related to object head-'Grants-in-aid' during 2018-19, without prior approval of the Parliament as detailed in **Table 3.5**.

Table 3.5: Augmentation of provision to object heads without prior approval of Parliament

(₹ in crore)

Sl. No.	Head of Account	TA*	TE*	Excess over TA
Object Head 31-'Grants-in-aid-General'				
Grant No. 10-Ministry of Coal				
1.	2803.00.796.03.00.31- Detailed Drilling	13.00	20.50	7.50
Grant No. 13-Department of Posts				
2.	3201.06.101.01.00.31 - Postal Welfare Fund	9.00	10.47	1.47
Grant No. 19-Ministry of Defence (Misc.)				
3.	2052.00.092.02.01.31-Other Offices-Defence Accounts Department	0.04	0.16	0.12
Grant No.73-Ministry of Planning				
4.	3475.00.800.97.02.31-Atal Innovation Mission (AIM)	308.33	309.82	1.49
Object Head 35-'Grants for creation of Capital Assets'				
Grant No. 82-Department of Rural Development				
5.	2505.02.101.02.00.35-Assistance to District Rural Development Agencies/ District Programme Coordinators and Others	41,450.28	43,393.29	1,943.01
Grant No.95-Ministry of Tourism				
6.	3452.01.101.11.00.35-Assistance to Central Agencies for Tourism Infrastructure Development	55.00	56.00	1.00
Object Head 36-'Grants-in-aid Salaries'				
Grant No. 94- Ministry of Textiles				
7.	2851.00.107.01.02.36-Central Silk Board	334.61	435.29	100.68
			Total	**2,055.27**

** TA = Total authorisation, TE= Total expenditure (as per classified abstract)*

In reply, Department of Posts stated that MoF's specific instructions did not apply since the excess was against grants given for welfare activities and not for any NS/NIS. The reply is not acceptable in view of the clear tenor of MoF instructions. In their reply, Ministry of Defence (MoD) contended that there was no re-appropriation but only expenditure in excess of total provision. The reply is not tenable since it is not clear how MoD views violation of MoF instructions as more serious than violation of the Constitutional provisions proscribing excess expenditure. Ministry of Tourism was of the view that the re-appropriation done by it was in consonance with MoF instructions of 20 February 2016 which states that 'Re-appropriation would be allowed within the same object head (OH-35) only'. The reply is not acceptable as the instructions of 20 February 2016 are in the specific context of compliance with FRBM provisions relating to Effective Revenue Deficit. This does not negate the requirement of obtaining approval of

Parliament for augmenting provision by way of re-appropriation to specific object heads including 'Grants-in-aid'.

3.10 Augmentation of provision to object head '41-Secret Service Expenditure'

MoF had issued instructions[38] that any re-appropriation of funds which increases the provision of object head '41-Secret Service Expenditure' by 25 *per cent* or more of the original provision in the grant as a whole, should be done only with the prior approval of the CAG.

Para 3.10 of CAG's Report on the Accounts of Union Government for the year 2017-18, had highlighted two instances where re-appropriation had been done in excess of 25 *per cent* of the original provision for Secret Service Expenditure in Grants 47 and 48 of Ministry of Home Affairs (MHA), without the approval of CAG. MoF had clarified (November 2018) that approval of the CAG was required to be taken by the concerned Ministry in such circumstances. This was not accepted by Audit which was of the opinion that it was for MoF to ensure that such re-appropriation orders are concurred with the prior approval of CAG.

Audit examination of Grant No.48 pertaining to Police for the year 2018-19, disclosed that a re-appropriation order proposed by MHA for ₹125 crore which increased the total original provision as a whole under object head '41-Secret Service Expenditure' of ₹187.43 crore by more than 25 *per cent* , was concurred by MoF without obtaining approval of the CAG. MHA intimated (October 2019) that since the re-appropriation order was issued with the approval of Ministry of Finance it was assumed that required approvals would have been obtained by MoF.

Repeated contravention of orders despite CAG's clear opinion on MoF's responsibility for obtaining CAG's approval for re-appropriation orders, is a matter of concern and should be urgently remedied.

3.11 Misclassification of expenditure

Article 112(2) of the Constitution stipulates that the Annual Financial Statement 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 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 (DFPRs) describes the nature/ type of transactions that can be classified under each standard primary unit of appropriation.

Audit test check of transactions pertaining to different grants revealed the followings:

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[38] In January 1956 and September 1969, reiterated vide OM No. 6(1)/E.II-A/2010 dated 16 February 2010.

(a) Incorrect use of object heads with major heads

Rule 8 of the DFPRs 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 test check revealed that, in seven cases aggregating to ₹2,050.05 crore pertaining to three Ministries/ Departments, revenue object heads were incorrectly used with capital major Heads. Details are given in **Annexure 3.5**.

(b) 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 five cases of incorrect classification of expenditure of revenue nature aggregating to ₹22.41 crore, as capital expenditure. In addition, in three cases expenditure of capital nature aggregating to ₹154.21 crore, was incorrectly classified as revenue expenditure. These cases are detailed in **Annexure 3.6**.

(c) Misclassification between primary units of appropriation under same section of grant

Audit test check revealed that in 26 cases, funds aggregating to ₹1,860.02 crore were misclassified between primary units of appropriation. Cases of misclassification of ₹50 crore and above include misclassification of '35-Grants for creation of capital assets' as '31-Grants-in-aid-general' (₹1,145.89 crore-Ministry of Tourism); misclassification of '35-Grants for creation of capital assets' as '33-Subsidies' (₹445.38 crore-Ministry of Power); incorrect booking of claims of RBI under object head '32-Contributions' instead of object head '50-Other Charges' (₹71 crore - Ministry of Electronics and IT (MeitY)) and misclassification of '35-Grants for creation of capital assets' under '28-Professional services' (₹50 crore - Ministry of Power). Ministry of Tourism accepted the misclassification and assured booking under correct head henceforth. Ministry of Power stated that they had adopted the classification given in the sanction of IFD. MeitY stated that information on the correct head to be used was received from MoF after the expenditure had been booked. It is recommended that corrective action be taken.

3.12 Unsanctioned expenditure under Ministry of Railways

Items of irregular expenditure incurred by Indian Railways are noted in objection books by the Zonal Railways administration and treated as unsanctioned expenditure. During the year 2018-19, the total of such unsanctioned expenditure was ₹5,003 crore covering 3,464 cases.

3.13 Irregular reversal of expenditure on Defence Pensions

Government accounting procedure permits the operation of intermediate booking of transactions in certain cases under 'Suspense heads'. It is important to clear the suspense heads by booking the transactions to the final head of accounts by the end of the financial year, since the balances under the suspense heads understate Government receipts and expenditure, as the case may be. By their nature, Suspense heads can only precede booking to the final head of expenditure.

Mention was made in Para 3.11 of the Report No. 2 of 2019 of the CAG of India on the Accounts of the Union Government for the year 2017-18 wherein it was brought out that initially booked expenditure of ₹3,000 crore relating to Defence Pension was transferred to suspense head, which was indicative of erroneous depiction of expenditure on pension.

Audit scrutiny of Appropriation Accounts of Grant No. 22-Defence Pensions for the year 2018-19 revealed that Ministry had booked expenditure of ₹5,000 crore in March 2019 under the head-2071.02.101.01, but later on the amount was transferred to Suspense head through Transfer Entry in March 2019. It is recommended that the matter be viewed with utmost seriousness by the Government, and appropriate action taken against the concerned Accounting Authorities who approved this manipulation in 2017-18 and 2018-19.

3.14 Breach of Article 114 (3) of the Constitution of India-Expenditure incurred on interest on refunds of taxes by the CBDT without appropriation

Article 114(3) of Constitution of India stipulates that no money shall be withdrawn from the CFI except under appropriation made by the legislature. Payment of interest on refunds of excess tax is a charge on the CFI and can be made only if authorized under appropriation made by law. Further, as per Article 266 (3) of the Constitution, until provided in the Appropriation law passed by Parliament, there is no legal authority to withdraw 'interest' on excess tax collected/ refunds from the CFI. In addition Rule 8 of DFPRs describes 'interest' as the primary unit of appropriation for classification of interest expenditure.

The Department of Revenue/Central Board of Direct Taxes (CBDT) has been classifying interest on refunds of excess tax as reduction in revenue in violation of the above mentioned constitutional provisions. This incorrect practice has been commented upon repeatedly in CAG's Audit Reports on Union Government Accounts as well as in CAG's Reports on Direct Taxes, but no corrective action has been taken by the Department.

Audit observed that this issue was examined by the Public Accounts Committee (PAC). In its 66th Report (15th Lok Sabha 2012-13) the PAC had disapproved withdrawal of moneys out of CFI for interest payments on income tax refunds without Parliamentary approval. Subsequently, in their follow-up Report (96th Report of 15th Lok Sabha 2013-14 dated 31 January 2014) after considering the revised opinion of the Ld. Attorney General of 06 May 2013 and later testimony to it , the Committee concluded that the Constitution leaves no doubt about the manner of authorization of expenditure or withdrawal of moneys from and out of the CFI and hence 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.

Audit noted that despite the position taken by PAC on the matter and the issue being repeatedly pointed out in the audit reports of the CAG the practice of not making budget provision for interest on refunds in the Budget Estimates and not seeking Parliament's approval for the payments continued in the financial year 2018-19. During the year expenditure on interest on refunds amounting to ₹20,566.33 crore was incurred and such payment was shown as reduction in Revenue.

The Department in its replies (January 2017 and January 2019) has continued to reiterate the 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. The Department also stated 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).

Audit however, observed that 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."

New Delhi
The 27 July 2020

(MANISH KUMAR)
Principal Director of Audit
Finance & Communication

Countersigned

New Delhi
The 31 July 2020

(RAJIV MEHRISHI)
Comptroller and Auditor General of India

ANNEXURE

Annexure 1.1

(Refer to Paragraph 1.2.1)

Comparison of budget and revised estimates with actual expenditure

(₹ in crore)

2003-04						
S.No.		**Budget Estimates (BE)**	**Revised Estimates (RE)**	**Actuals**	**Variation with reference to BE**	**Variation with reference to RE**
1	Revenue Receipts	3,24,172.31	3,38,601.81	3,39,100.13	14,927.82 (4.60)	498.32 (0.15)
	Tax Revenue	1,87,769.52	1,89,138.28	1,88,581.84	812.32 (0.43)	-556.44 (-0.29)
	Non- Tax Revenue (includes GIA & Contr.)	1,36,402.79	1,49,463.53	1,50,518.29	14,115.50 (10.35)	1,054.76 (0.71)
2	Miscellaneous Capital Receipts	13,200.00	14,500.00	16,952.69	3,752.69 (28.43)	2,452.69 (16.92)
3	Recovery of Loans and Advances	20,523.10	67,625.00	69,827.41	49,304.31 (240.24)	2,202.41 (3.26)
4	Total Non-Debt Receipts (1+2+3)	3,57,895.41	4,20,726.81	4,25,880.23	67,984.82 (19.00)	5,153.42 (1.22)
5	Receipt of Public Debt	4,91,835.92	4,89,907.23	5,38,492.28	46,656.36 (9.49)	48,585.05 (9.92)
6	Total receipts in CFI (4+5)	8,49,731.33	9,10,634.04	9,64,372.51	1,14,641.18 (13.49)	53,738.47 (5.90)
7	Public Accounts Receipt	2,56,387.26	3,14,250.90	3,69,132.70	1,12,745.44 (43.97)	54,881.80 (17.46)
8	Total Receipts (6+7)	11,06,118.59	12,24,884.94	13,33,505.21	2,27,386.62 (20.56)	1,08,620.27 (8.87)
9	Contingency Fund	0	0	0	0	0
10	Revenue Expenditure	4,40,676.37	4,42,311.39	4,40,085.58	-590.79 (-0.13)	-2,225.81 (-0.50)
11	Capital Expenditure	42,946.98	37,488.06	35,400.74	-7,546.24 (-17.57)	-2,087.32 (-5.57)
12	Loans and Advances	32,785.42	31,492.59	31,330.40	-1,455.02 (-4.44)	-162.19 (-0.52)
13	Total Expenditure (10+11+12)	5,16,408.77	5,11,292.04	5,06,816.72	-9,592.05 (-1.86)	-4,475.32 (-0.88)
14	Repayment of Public Debt	3,67,078.53	3,88,780.32	4,30,963.06	63,884.53 (17.40)	42,182.74 (10.85)
15	Total Disbursement out of the CFI (13+14)	8,83,487.30	9,00,072.36	9,37,779.78	54,292.48 (6.15)	37,707.42 (4.19)
16	Public Account Disbursement	2,22,631.29	3,14,580.34	3,91,783.29	1,69,152.00 (75.98)	77,202.95 (24.54)
17	Total Disbursement (15+16)	11,06,118.59	12,14,652.70	13,29,563.07	2,23,444.48 (20.20)	1,14,910.37 (9.46)
18	Revenue Deficit (10-1)	1,16,504.06	1,03,709.58	1,00,985.45	-15,518.61 (-13.32)	-2,724.13 (-2.43)
19	Fiscal Deficit (13-4)	1,58,513.36	90,565.23	80,936.49	-77,576.87 (-48.94)	-9,628.74 (-10.63)

2008-09						
S.No.		**Budget Estimates (BE)**	**Revised Estimates (RE)**	**Actuals**	**Variation with reference to BE**	**Variation with reference to RE**
1.	Revenue Receipts	7,30,399.81	6,84,220.91	6,53,846.87	-76,552.94 (-10.48)	-30,374.04 (-4.44)
	Tax Revenue	5,08,950.00	4,67,770.00	4,45,119.34	-63,830.66 (-12.54)	-22,650.66 (-4.84)
	Non- Tax Revenue (includes GIA & Contr.)	2,21,449.81	2,16,450.91	2,08,727.53	-12,722.28 (-5.74)	-7,723.38 (-3.57)
2.	Miscellaneous Capital Receipts	10,165.00	2,566.51	565.93	-9,599.07 (-94.43)	-2,000.58 (-77.95)
3.	Recovery of Loans and Advances	5,992.51	11,193.29	13,509.02	7,516.51 (125.43)	2,315.73 (20.69)
4.	Total Non-Debt Receipts (1+2+3)	7,46,557.32	6,97,980.71	6,67,921.82	-78,635.50 (-10.53)	-30,058.89 (-4.31)
5.	Receipt of Public Debt	18,84,985.73	23,46,023.99	23,95,765.19	5,10,779.46 (27.10)	49,741.20 (2.12)
6.	Total receipts in CFI (4+5)	26,31,543.05	30,44,004.70	30,63,687.01	4,32,143.96 (16.42)	19,682.31 (0.65)
7.	Public Accounts Receipt	4,19,789.64	4,93,695.78	5,80,749.20	1,60,959.56 (38.34)	87,053.42 (17.63)
8.	Total Receipts (6+7)	30,51,332.69	35,37,700.48	36,44,436.21	5,93,103.52 (19.44)	1,06,735.73 (3.02)
9.	Contingency Fund	0	0	0	0	0
10.	Revenue Expenditure	7,85,583.70	10,22,935.73	10,10,224.34	2,24,640.64 (28.60)	-12,711.39 (-1.24)
11.	Capital Expenditure	84,522.03	84,448.36	77,555.61	-6,966.42 (-8.24)	-6,892.75 (-8.16)
12.	Loans and Advances	9,737.50	15,696.87	14,585.54	4,848.04 (49.79)	-1,111.33 (-7.08)
13.	Total Expenditure (10+11+12)	8,79,843.23	11,23,080.96	11,02,365.49	2,22,522.26 (25.29)	-20,715.47 (-1.84)
14.	Repayment of Public Debt	17,45,574.44	21,28,810.61	21,64,560.52	4,18,986.08 (24.00)	35,749.91 (1.68)
15.	Total Disbursement out of the CFI (13+14)	26,25,417.67	32,51,891.57	32,66,926.01	6,41,508.34 (24.43)	15,034.44 (0.46)
16.	Public Account Disbursement	4,03,333.36	3,97,573.90	5,11,887.47	1,08,554.11 (26.91)	1,14,313.57 (28.75)
17.	Total Disbursement (15+16)	30,28,751.03	36,49,465.47	37,78,813.48	7,50,062.45 (24.76)	1,29,348.01 (3.54)
18.	Revenue Deficit (10-1)	55,183.89	3,38,714.82	3,56,377.47	3,01,193.58 (545.80)	17,662.65 (5.21)
19.	Fiscal Deficit (13-4)	1,33,285.91	4,25,100.25	4,34,443.67	3,01,157.76 (225.95)	9,343.42 (2.20)

2013-14						
S.No.		**Budget Estimates (BE)**	**Revised Estimates (RE)**	**Actuals**	**Variation with reference to BE**	**Variation with reference to RE**
1.	Revenue Receipts	12,55,739.03	12,34,170.47	12,17,798.79	-37,940.24 (-3.02)	-16,371.68 (-1.33)
	Tax Revenue	8,89,128.32	8,40,926.01	8,20,765.89	-68,362.43 (-7.69)	-20,160.12 (-2.40)
	Non- Tax Revenue (includes GIA & Contr.)	3,66,610.71	3,93,244.46	3,97,032.90	30,422.19 (8.30)	3,788.44 (0.96)
2.	Miscellaneous Capital Receipts	55,814.00	25,841.00	29,367.89	-26,446.11 (-47.38)	3,526.89 (13.65)
3.	Recovery of Loans and Advances	22,054.01	24,307.79	24,549.00	2,494.99 (11.31)	241.21 (0.99)
4.	Total Non-Debt Receipts (1+2+3)	13,33,607.04	12,84,319.26	12,71,715.68	-61,891.36 (-4.64)	-12,603.58 (-0.98)
5.	Receipt of Public Debt	45,93,516.37	40,22,285.01	39,94,966.22	-5,98,550.15 (-13.03)	-27,318.79 (-0.68)
6.	Total receipts in CFI (4+5)	59,27,123.41	53,06,604.27	52,66,681.90	-6,60,441.51 (-11.14)	-39,922.37 (-0.75)
7.	Public Accounts Receipt	6,04,136.27	5,96,209.43	6,88,649.39	84,513.12 (13.99)	92,439.96 (15.50)
8.	Total Receipts (6+7)	65,31,259.68	59,02,813.70	59,55,331.29	-5,75,928.39 (-8.82)	52,517.59 (0.89)
9.	Contingency Fund	0	0	0	0	0
10.	Revenue Expenditure	16,35,577.06	16,04,758.51	15,75,096.57	-60,480.49 (-3.70)	-29,661.94 (-1.85)
11.	Capital Expenditure	2,51,208.86	1,72,019.63	1,68,844.47	-82,364.39 (-32.79)	-3,175.16 (-1.85)
12.	Loans and Advances	31,468.91	32,503.85	30,999.92	-468.99 (-1.49)	-1,503.93 (-4.63)
13.	Total Expenditure (10+11+12)	19,18,254.83	18,09,281.99	17,74,940.96	-1,43,313.87 (-7.47)	-34,341.03 (-1.90)
14.	Repayment of Public Debt	40,14,248.55	35,31,114.10	35,11,291.32	-5,02,957.23 (-12.53)	-19,822.78 (-0.56)
15.	Total Disbursement out of the CFI (13+14)	59,32,503.38	53,40,396.09	52,86,232.28	-6,46,271.10 (-10.89)	-54,163.81 (-1.01)
16.	Public Account Disbursement	5,78,756.30	5,77,417.61	6,49,928.05	71,171.75 (12.30)	72,510.44 (12.56)
17.	Total Disbursement (15+16)	65,11,259.68	59,17,813.70	59,36,160.33	-5,75,099.35 (-8.83)	18,346.63 (0.31)
18.	Revenue Deficit (10-1)	3,79,838.03	3,70,588.04	3,57,297.78	-22,540.25 (-5.93)	-13,290.26 (-3.59)
19.	Fiscal Deficit (13-4)	5,84,647.79	5,24,962.73	5,03,225.28	-81,422.51 (-13.93)	-21,737.45 (-4.14)

Annexure 2.1

(Refer to Paragraph 2.3.2)

Position of Suspense balances under Major Suspense Heads in respect of Civil Ministries

(₹in crore)

Head	2018-19			
	Credit (A)	Debit (B)	Net Suspense (A-B)	Actual Suspense (A+B)
101-PAO Suspense	713.16	2,650.67	1,937.51 Dr.	3,363.83
102-Suspense Account (Civil)	402.86	1,140.57	737.71 Dr.	1,543.43
108-PSB Suspense	2,286.75	15,978.79	13,692.04 Dr.	18,265.54

Annexure 2.2

(Refer to Paragraph 2.3.2)

Details of Outstanding under Major Head "Cheques and Bills"

(₹ in crore)

Minor Head	Nomenclature	Credit/ Debit	Amount Outstanding
8670.101	Pre-audit Cheques	Credit	0.48
8670.102	Pay and Accounts Office Cheques	Credit	3,477.53
8670.103	Departmental Cheques	Credit	3,254
8670.104	Treasury Cheques	Debit	129.72
8670.105	IRLA Cheques	Credit	0.59
8670.106	Telecommunication Accounts Office Cheques	Credit	862.37
8670.107	Postal Cheques	Credit	27,272.54
8670.108	Railway Cheques	Credit	1,524.70
8670.109	Defence Cheques	Debit	92.97
8670.110	Electronic Advices	Credit	1,010.84
8670.111	Pay and Accounts Offices Electronic Advices	Credit	4,208.28
8670.112	Principal Controller of Communication Accounts Offices Electronic Advice	Credit	22.21
8670.113	Treasury Electronic Advices	Credit	185.00
8670.114	Departmental (CDDOs) Electronic Advices	Debit	62.74
8670	**Cheques and Bill (Total)**		**42,104**

Annexure 2.3

(Refer to Paragraph 2.3.2.1)

List of Civil Ministries/ Departments where Public Sector Bank Suspense increased by more than 100 *per cent* during the year

(₹ in thousands)

Sl. No.	Name of PAO/ Department	Opening Balance	Receipt	Disbursement	Closing Balance
1	Water Resources	-15,02,045	42,78,666	6,79,665	20,96,956
2	Consumer Affairs, Food & PD	-18,867	-3,34,835	-17,641	-3,36,061
3	Finance (Expenditure)	-4,172	0	-82	-4,090
4	Finance (Economic Affairs)	-51,921	0	-2,410	-4,9511
5	Finance (Revenue)	-54,472	466	-1,250	-52,756
6	Health & Family Welfare	-7,79,906	-34,21,499	-20,99,398	-21,02,007
7	Industrial Development	-96,719	-298	-2,96,844	1,99,827
8	Law and Justice	-3,40,740	-7,24,446	11,945	-10,77,131
9	Urban Development	-2,63,050	-3,60,906	6,72,139	-12,96,095
10	President Secretariat	5,034	-11,723	1,468	-8,157
11	Personal Public Grievance and Pension	-70,031	1,61,397	-14,470	1,05,836
12	Science & Technology	-2,13,509	-5,20,877	-803	-7,33,583
13	Lok Sabha	-95,076	0	105	-95,181
14	A.G. (A&E) Chandigarh U.T.	-7,71,573	15,04,014	-8,264	7,40,705
15	Andaman & Nicobar Admn.	45,889	-82,302	10,427	-46,840
16	New and Renewable Energy	-1,53,525	48	1,37,309	-2,90,786
17	External Affairs	-9,04,869	-10,65,045	-1,02,497	-18,67,417
18	Election Commission	-1,588	-39	2,191	-3,818
19	Lakshadweep Islands	2,440	-10,04,362	-8,66,774	-1,35,148
20	Company Affairs	-14,44,531	-62,226	-19,33,219	4,26,462
21	Ministry of Shipping	-1,32,862	-4,74,909	-3,33,277	-2,74,494
22	Petroleum and Natural Gas	1,016	-43,791	-30,320	-12,455
23	Department of Fertilizers	0	-219	-450	231

Annexure 3.1

(Refer to Paragraph 3.1)

Authorisation and Expenditure

(₹in crore)

Nature of Expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Disbursements	Savings (-) Excess (+)
A – Civil					
Voted					
I. Revenue	15,46,939.25	80,574.83	16,27,514.08	13,84,062.10	(-)2,43,451.98
II. Capital (including Loans and Advances)	3,28,209.29	92,362.35	4,20,571.64	3,58,890.44	(-)61,681.20
Total	**18,75,148.54**	**1,72,937.18**	**20,48,085.72**	**17,42,952.54**	**(-)3,05,133.18**
Charged					
III. Revenue	7,06,321.58	9,325.49	7,15,647.07	6,95,458.86	(-)20,188.21
IV. Capital (including Loans and Advances and Public Debt)	61,05,303.69	1,10,407.23	62,15,710.92	60,88,920.49	(-)1,26,790.43
Total	**68,11,625.27**	**1,19,732.72**	**69,31,357.99**	**67,84,379.35**	**(-)1,46,978.64**
Grand Total	**86,86,773.81**	**2,92,669.90**	**89,79,443.71**	**85,27,331.89**	**(-)4,52,111.82**
Recoveries in reduction of expenditure			3,77,302.41	3,15,668.75	
		Total Net Provision	**86,02,141.30**		
		Total Net Expenditure		**82,11,663.14**	

Nature of Expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Disbursements	Savings (-) Excess (+)
B – Posts					
Voted					
I. Revenue	28,514.24	600.00	29,114.24	27,994.13	(-)1,120.11
II. Capital	757.52	66.87	824.39	811.27	(-)13.12
Total	**29,271.76**	**666.87**	**29,938.63**	**28,805.40**	**(-)1,133.23**
Charged					
III. Revenue	0.80	2.29	3.09	0.23	(-)2.86
IV. Capital	--	--	--	--	--
Total	**0.80**	**2.29**	**3.09**	**0.23**	**(-)2.86**
Grand Total	**29,272.56**	**669.16**	**29,941.72**	**28,805.63**	**(-)1,136.09**
Recoveries in reduction of expenditure			820.27	821.29	
		Total Net Provision	**29,121.45**		
		Total Net Expenditure		**27,984.34**	

(₹ in crore)

Nature of Expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Disbursements	Savings (-) Excess(+)
C - Defence Services					
Voted					
I. Revenue	2,05,018.35	2,803.97	2,07,822.32	2,11,663.64	(+)3,841.32
II. Capital	93,897.78	--	93,897.78	95,155.07	(+)1,257.29
Total	**2,98,916.13**	**2,803.97**	**3,01,720.10**	**3,06,818.71**	**(+)5,098.61**
Charged					
III. Revenue	107.46	--	107.46	35.58	(-)71.88
IV. Capital	84.35	97.42	181.77	73.99	(-)107.78
Total	**191.81**	**97.42**	**289.23**	**109.57**	**(-)179.66**
Grand Total	**2,99,107.94**	**2,901.39**	**3,02,009.33**	**3,06,928.28**	**(+)4,918.95**
Recoveries in reduction of expenditure			13,410.50	11,289.39	
Total Net Provision			**2,88,598.83**		
Total Net Expenditure				**2,95,638.89**	

Nature of Expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Disbursements	Savings (-) Excess(+)
D – Railways					
Voted					
I. Revenue	2,52,703.08	0.01	2,52,703.09	2,42,205.24	(-)10,497.85
II. Capital	1,93,103.31	0.03	1,93,103.34	1,85,149.26	(-)7,954.08
Total	**4,45,806.39**	**0.04**	**4,45,806.43**	**4,27,354.50**	**(-)18,451.93**
Charged					
III. Revenue	395.93	46.00	441.93	384.09	(-)57.84
IV. Capital	167.46	191.65	359.11	464.84	(+)105.73
Total	**563.39**	**237.65**	**801.04**	**848.93**	**(+)47.89**
Grand Total	**4,46,369.78**	**237.69**	**4,46,607.47**	**4,28,203.43**	**(-)18,404.04**
Recoveries in reduction of expenditure			1,80,191.78	1,82,783.41	
Total Net Provision			**2,66,415.69**		
Total Net Expenditure				**2,45,420.02**	

Total						
Total CFI	**Voted**	**26,49,142.82**	**1,76,408.06**	**28,25,550.88**	**25,05,931.15**	**(-)3,19,619.73**
	Charged	**68,12,381.27**	**1,20,070.08**	**69,32,451.35**	**67,85,338.08**	**(-)1,47,113.27**
Grand Total CFI		**94,61,524.09**	**2,96,478.14**	**97,58,002.23**	**92,91,269.23**	**(-)4,66,733.00**
Total recoveries in reduction of expenditure				**5,71,724.96**	**5,10,562.84**	
Total provision and expenditure as per Appropriation Account				**91,86,277.27**	**87,80,706.39**	
Difference with the Finance Accounts					**--**	
Total disbursement from CFI as per Finance Accounts					**87,80,706.39**	

Note:

- Provision for the Charged and Voted expenditure is called Appropriation and Grant respectively.
- CFI - Consolidated Fund of India

Annexure 3.2

(Refer to Paragraph 3.2.2)

Savings of ₹ 100 crore or more

(₹ in crore)

Sl No.	Grant/Appropriation No. and Description	Sanctioned Provision	Savings	Savings as percentage of Sanctioned Provision
Revenue (Voted)				
1.	1-Department of Agriculture, Cooperation and Farmers' Welfare	67,764.99	21,192.27	31.27
2.	3-Department of Animal Husbandry, Dairying and Fisheries	3,737.29	164.71	4.41
3.	4-Atomic Energy	13,928.23	580.74	4.17
4.	5-Ministry of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homoeopathy (AYUSH)	2,190.55	145.08	6.62
5.	9-Ministry of Civil Aviation	6,681.18	1,056.86	15.82
6.	12-Department of Industrial Policy and Promotion	5,430.61	127.58	2.35
7.	13-Department of Posts	29,114.24	1,120.11	3.85
8.	14-Department of Telecommunications	33,052.54	8,439.63	25.53
9.	16-Department of Food and Public Distribution	1,76,983.12	70,289.45	39.72
10.	18-Ministry of Culture	2,764.34	256.99	9.30
11.	19-Ministry of Defence (Misc)	29,515.14	262.92	0.89
12.	22-Defence Pensions	1,08,850.84	7,078.54	6.50
13.	23-Ministry of Development of North Eastern Region	2,536.36	668.66	26.36
14.	24-Ministry of Drinking Water and Sanitation	27,747.97	3,945.17	14.22
15.	27-Ministry of Environment, Forests and Climate Change	2,683.44	105.24	3.92
16.	29-Department of Economic Affairs	4,874.29	2,063.75	42.34
17.	30-Department of Expenditure	413.34	124.73	30.18
18.	31-Department of Financial Services	1,739.08	421.80	24.25
19.	33-Department of Revenue	1,80,941.25	56,519.00	31.24
20.	35-Indirect Taxes	7,418.02	482.38	6.50
21.	39-Pensions	47,170.00	2,675.50	5.67
22.	40-Transfers to States	32,500.00	12,014.81	36.97
23.	41-Ministry of Food Processing Industries	1,400.03	680.87	48.63
24.	42-Department of Health and Family Welfare	78,297.08	3,928.06	5.02
25.	44-Department of Heavy Industry	739.26	168.11	22.74
26.	48-Police	83,968.52	237.41	0.28
27.	56-Ministry of Housing and Urban Affairs	33,146.56	8,138.19	24.55
28.	57-Department of School Education and Literacy	87,392.86	9,383.05	10.74
29.	58-Department of Higher Education	47,562.48	10,802.89	22.71
30.	60-Ministry of Labour and Employment	9,740.83	454.86	4.67
31.	61-Law and Justice	2,586.36	279.01	10.79
32.	65-Ministry of Mines	1,994.27	670.53	33.62

Sl No.	Grant/Appropriation No. and Description	Sanctioned Provision	Savings	Savings as percentage of Sanctioned Provision
33.	66-Ministry of Minority Affairs	4,535.01	855.16	18.86
34.	67-Ministry of New and Renewable Energy	5,106.26	645.85	12.65
35.	68-Ministry of Panchayati Raj	825.23	139.05	16.85
36.	70-Ministry of Personnel, Public Grievances and Pensions	1,438.81	115.75	8.04
37.	74-Ministry of Power	16,998.71	109.03	0.64
38.	76-Lok Sabha	793.82	122.09	15.38
39.	80-Ministry of Railways	2,52,703.09	10,497.85	4.15
40.	81-Ministry of Road Transport and Highways	23,153.13	4,996.94	21.58
41.	82-Department of Rural Development	1,89,477.35	4,649.00	2.45
42.	83-Department of Land Resources	2,511.40	637.86	25.40
43.	86-Department of Scientific and Industrial Research	4,786.98	222.39	4.65
44.	87-Ministry of Shipping	2,183.09	229.86	10.53
45.	88-Ministry of Skill Development and Entrepreneurship	3,141.04	584.88	18.62
46.	94-Ministry of Textiles	8,609.92	1,937.79	22.51
47.	97-Ministry of Water Resources, River Development and Ganga Rejuvenation	8,188.57	1,055.75	12.89
48.	98-Ministry of Women and Child Development	25,258.69	2,254.60	8.93
49.	99-Ministry of Youth Affairs and Sports	2,138.56	291.35	13.62
Revenue (Charged)				
50.	37-Interest Payment	5,99,991.60	4,437.57	0.74
51.	40-Transfers to States	1,09,373.50	15,669.92	14.33
Capital (Voted)				
52.	1-Department of Agriculture, Cooperation and Farmers' Welfare	113.71	102.93	90.52
53.	14-Department of Telecommunications	5,753.76	1,712.32	29.76
54.	16-Department of Food and Public Distribution	51,424.13	38,570.90	75.01
55.	18-Ministry of Culture	255.37	160.54	62.87
56.	19-Ministry of Defence (Misc)	6,616.76	1,913.03	28.91
57.	23-Ministry of Development of North Eastern Region	734.00	613.69	83.61
58.	28-Ministry of External Affairs	1,636.51	734.66	44.89
59.	29-Department of Economic Affairs	26,936.65	6,797.00	25.23
60.	31-Department of Financial Services	1,15,358.03	586.83	0.51
61.	35-Indirect Taxes	407.03	154.87	38.05
62.	42-Department of Health and Family Welfare	4,735.33	420.90	8.89
63.	48-Police	11,083.01	1,512.56	13.65
64.	49-Andaman and Nicobar Islands	600.94	127.57	21.23
65.	53-Lakshdweep	266.71	113.26	42.47
66.	56-Ministry of Housing and Urban Affairs	16,914.76	1,229.06	7.27
67.	58-Department of Higher Education	2,752.00	489.50	17.79

Sl No.	Grant/Appropriation No. and Description	Sanctioned Provision	Savings	Savings as percentage of Sanctioned Provision
68.	61-Law and Justice	3,972.14	295.18	7.43
69.	72-Ministry of Petroleum and Natural Gas	3,959.18	1,800.86	45.49
70.	74-Ministry of Power	3,234.96	274.53	8.49
71.	80-Ministry of Railways	1,93,103.34	7,954.08	4.12
72.	81-Ministry of Road Transport and Highways	1,36,419.40	2,406.85	1.76
73.	87-Ministry of Shipping	546.66	178.26	32.61
74.	88-Ministry of Skill Development and Entrepreneurship	259.00	196.15	75.73
75.	89-Department of Social Justice and Empowerment	407.41	130.01	31.91
76.	97-Ministry of Water Resources, River Development and Ganga Rejuvenation	730.88	405.79	55.52
Capital (Charged)				
77.	21-Capital outlay on Defence Services	181.77	107.78	59.29
78.	38-Repayment of Debt	61,91,567.49	1,26,622.11	2.05
79.	40-Transfers to States	23,900.84	126.74	0.53
		Total	**4,69,669.55**	

Annexure 3.3

(Refer to Paragraph 3.4)

Expenditure incurred without adequate provisioning of funds

(₹in crore)

Sl. No.	Minor/Sub Head	Total Available Provision (O+S+R)	Actual expenditure	Final excess expenditure
Grant No.13- Department of Posts				
1.	3201.01.101.01-Circle Office	378.24	407.59	29.35
2.	3201.01.101.03-Postal Division	753.70	1,016.28	262.58
3.	3201.01.101.04-Railway Mail Service (RMS) Division	123.81	194.74	70.93
4.	3201.02.101.01-Existing Post Offices	8,761.06	8,853.51	92.45
5.	3201.04.101.01-Cost of Pay and Allowances of Audit Staff	115.00	144.45	29.45
Grant No.14-Department of Telecommunications				
6.	3451.00.091.12- Controller of Communication Accounts Offices	207.32	271.51	64.19
7.	2071.01.101.01-Superannuation and Retirement Allowances- Ordinary Pension	7,009.66	7,111.80	102.14
8.	2071.01.102.01-Ordinary Pensions	1,021.14	1,055.77	34.63
9.	2071.01.104.01- Ordinary Pensions	2,020.32	2,150.22	129.90
Grant No.19-Ministry of Defence (Misc)				
10.	2037.00.102.06-Coast Guard Organisation	2,401.53	2,451.14	49.61
11.	2052.00.090.56-Border Roads Organisation	2,165.15	2,572.99	407.84
12.	2052.00.092.02-Defence Accounts Department	1,562.75	1,648.57	85.82
13.	2055.00.104.02- Charges paid in respect of J&K Light Infantry (JAKLI)	1,255.86	1,473.89	218.03
Grant No. 20- Defence Services				
14.	2076.00.101-Pay and Allowances of Army	82,210.40	86,984.90	4,774.50
15.	2076.00.110-Stores	18,866.07	19,433.26	567.19
16.	2077.00.106-Repairs & Refits	1,310.00	1,355.38	45.38
17.	2077.00.110-Stores	5,970.00	6,267.15	297.15
18.	2077.00.800-Other Expenditure	736.45	769.73	33.28
19.	2078.00.110- Stores	8,881.47	8,945.17	63.70
Grant No. 21- Capital Outlay of Defence Services				
20.	4076.01.103-Other Equipment	16,993.38	17,923.35	929.97
21.	4076.02.103-Other Equipment	3,548.00	3,626.21	78.21

Sl. No.	Minor/Sub Head	Total Available Provision (O+S+R)	Actual expenditure	Final excess expenditure
22.	4076.02.204-Naval Fleet	11,309.00	11,455.59	146.59
23.	4076.02.205-Naval Dockyards	2,345.71	2,748.39	402.68
24.	4076.03.101-Aircraft and Aero-engine	25,300.00	25,326.92	26.92
25.	4076.05.052-Machinery and Equipment	8,133.35	8,314.55	181.20
Grant No.22-Defence Pensions				
26.	2071.02.103.03-Air Force-Leave Encashment	697.64	728.16	30.52
Grant No.28- Ministry of External Affairs				
27.	3605.00.101.11 - Aid to Nepal	730.00	763.39	33.39
Appropriation No.37-Interest Payments				
28.	*2049.01.122-Interest on Investment in Special Central Government of India Securities issued against net collections of small savings from 1 April 1999*	*13,714.83*	*13,930.22*	*215.39*
29.	*2049.03.104.02-Other State Provident Funds*	*2,943.90*	*5,407.94*	*2,464.04*
Grant No.39-Pensions				
30.	2071.01.117.01 - Government Contribution	3,938.06	4,046.54	108.48
Grant No.42-Department of Health and Family Welfare				
31.	4210.03.797.02 - Support from Central Road and Infrastructure Fund (CRIF)	1,922.90	1,952.94	30.04
Grant No.82- Department of Rural Development				
32.	2505.02.797.01 –Transfer to National Employment Guarantee Fund	61,084.09	61,829.56	745.47
			Total	**12,751.02**

Annexure 3.4

(Refer to Paragraph 3.5)

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

(₹in crore)

Grant No.	Description	Savings	Amount surrendered on the last day	Amount not surrendered at the close of financial year, if any
01	Department of Agriculture, Cooperation and Farmers' Welfare	21,295.20	21,044.42	250.78
03	Department of Animal Husbandry, Dairying and Fisheries	200.88	176.01	24.87
18	Ministry of Culture	417.52	191.69	182.51
24	Ministry of Drinking Water and Sanitation	3,945.17	3,930.63	14.54
40	Transfers to States	27,811.48	27,784.74	26.74
41	Ministry of Food Processing Industries	680.87	279.45	1.42
57	Department of School Education and Literacy	9,383.05	2,009.54	7,343.51
58	Department of Higher Education	11,292.39	3,057.67	8,232.72
65	Ministry of Mines	767.44	763.38	4.06
66	Ministry of Minority Affairs	855.21	843.46	3.56
72	Ministry of Petroleum and Natural Gas	1,801.96	1,801.93	0.03
74	Ministry of Power	383.56	382.98	0.58
82	Department of Rural Development	4,654.17	500.55	4,153.62
88	Ministry of Skill Development and Entrepreneurship	781.03	697.20	83.83
94	Ministry of Textiles	1,965.34	1,779.10	173.25
98	Ministry of Women and Child Development	2,269.48	2,234.08	35.40
99	Ministry of Youth Affairs and Sports	348.71	348.85	-
		Total	**67,825.68**	**20,531.42**

Annexure 3.5

(Refer to Paragraph 3.11 (a))

Incorrect use of Object Heads with Major Heads

Sl. No	Description of Grant	Major Head (Capital)	Object Head (Revenue)	Expenditure (₹ in crore)	Reply of the Department/ Ministry
1.	04-Department of Atomic Energy	4861	21,27	1,719.44	Department stated (September 2019) that the expenditure was of capital nature and hence was booked under Capital Major Head. The reply is not tenable as the object head used for booking the expenditure pertained to the revenue category and could not be used to book capital expenditure.
2.		5401	21	262.06	
3.	81-Ministry of Road Transport and Highways	5054	11, 13, 28	63.81	The reply was awaited (February 2020)
4.	87-Ministry of Shipping	5052	13	4.74	The reply was awaited (February 2020).
			Total	**2,050.05**	

Annexure 3.6

(Refer to Paragraph 3.11 (b))

Misclassification between revenue and capital expenditure

<table>
<tr><th>Sl. No.</th><th>Grant</th><th>Amount (₹ in crore)</th></tr>
<tr><td colspan="3">Misclassification of revenue expenditure as capital expenditure</td></tr>
<tr><td>1.</td><td>81-Ministry of Road Transport and Highways</td><td>2.04</td></tr>
<tr><td colspan="3">The expenditure was incurred for imparting training courses by Asian Institute of Transport Development on Road Safety and towards consultancy fee for providing services of IT specialists and was incorrectly booked under object head ‘53-Major Works’ in the capital section instead of booking it under object head ‘28-Professional Services’ in the revenue section of the grant.</td></tr>
<tr><td>2.</td><td>91-Department of Space</td><td>1.67</td></tr>
<tr><td colspan="3">The expenditure towards the procurement of BN tubes was booked under the head 5402.00.101.07.00.52 (M&E) of the capital section by VSSC PAO C, instead of the correct object head 3402.00.101.09.00.21- ‘Supplies & Material’ of the revenue section.
Department stated (December 2019) that the observation had been noted for future compliance.</td></tr>
<tr><td>3.</td><td>91- Department of Space</td><td>14.41</td></tr>
<tr><td colspan="3">The expenditure was incurred by PAO SDSC SHAR towards the payment of gratuity and leave encashment of 131 employees and was booked under the head 5402.00.101.17.00.52 (Machinery & Equipment) under capital section, instead of the correct Major Head- 2071 ‘Pensions and other retirement benefits’ under revenue section.
Department stated (December 2019) that this amount includes past liabilities (employee liability, VRS settlements etc.) of the cost of acquisition of N204 Plant from Hindustan Organic Chemicals Limited (HOCL). Hence, entire take-over expense was treated as capital acquisition cost.
The reply is not acceptable. Department took over the plant alongwith the employees, and employees of HOCL became employees of the Department. Hence, the payment of gratuity and leave encashment of employees was required to be booked under the head 2071- ‘Pensions and other Retirement Benefits’.</td></tr>
<tr><td>4.</td><td>80-Ministry of Railways</td><td>1.62</td></tr>
<tr><td colspan="3">Ministry had wrongly booked the expenditure towards Deep Screening, Temping machine, Repair & Maintenance of P-way under the capital section (Major Head 5002 & 5003) instead of the revenue section (Major Head 3002 & 3003 Sub-major Head-02).</td></tr>
<tr><td>5.</td><td>80-Ministry of Railways</td><td>2.67</td></tr>
<tr><td colspan="3">Incorrect booking of ₹ 2.67 crore towards work of VHF communication under New Line (PH 1100) instead of revenue section (Major Head 3002 & 3003 Sub-major Head-05).</td></tr>
</table>

Sl. No.	Grant	Amount (₹ in crore)
Misclassification of capital expenditure as revenue expenditure		
6.	91-Department of Space	149.73
In 16 cases, expenditure was booked incorrectly under the object head '21-Supplies and Materials' under the 'Revenue Section' which should have been booked under object head '60-Other Capital Expenditure' under capital section under extant orders. The Department stated (December 2019) that the expenses were miscellaneous expenditure which were revenue in nature and not constituting tangible assets. The reply is not acceptable. As per financial provisions, the consumables/ expenditure, which are directly attributable to a tangible Asset (Project / Satellite/Launch Vehicle) whose life is more than one year, are required to be capitalized. The mission consumables/ expenditures which are not directly accounted /booked against the tangible asset may be booked under the object head '21-Supplies and Materials' under the relevant sub-head.		
7.	91-Department of Space	1.10
The expenditure was incurred by PAO URSC C towards the procurement of hand held explosive vapour detector, EQPT VHF base station/repeater and etc. and was booked under the head 3402.00.101.74.00.28 (Professional Services) under the revenue section instead of the correct object head 5402.00.101.74.00.52 (Machinery & Equipment) of the capital section.		
8.	91- Department of Space	3.38
The expenditure was incurred by PAO URSC C towards the procurement of SABER simulation software and was booked under the head-3402.00.101.74.00.21 (Supplies & Material) under the revenue section instead of the correct object head-5402.00.101.74.99.52 -IT-Machinery & Equipment under the capital section.		

Glossary

Appropriation	Appropriation means assignment to meet specified expenditure of funds included in a primary unit of Appropriation.
Appropriation Accounts	Appropriation Accounts present the total amount of funds (original and supplementary) authorised by Parliament in the Budget Grants under each Voted Grants and Charged Appropriation *vis-a-vis* the actual expenditure incurred against each Grant or Appropriation and the saving or excess under each Grant or Appropriation. Any expenditure in excess of the Grants requires regularisation by Parliament.
Appropriation Bill	As soon as may be, after the Grants under Article 113 have been made by Lok Sabha, a bill to provide for the Appropriation out of the Consolidated Fund of India of all money required to meet (a) the Grants so made by the Lok Sabha (b) the expenditure charged upon Consolidated Fund of India but not exceeding in any case the amount shown in the statement previously laid before Parliament, is introduced.
Appropriation Act	When Appropriation Bill has been passed by Parliament, it is presented to the President. After the assent by the President to the bill, it becomes an Act.
Consolidated Fund of India (CFI)	The fund constituted under Article 266 (1) of the Constitution of India into which all receipts, revenues and loans flow. All expenditure from the CFI is by Appropriation: Voted or Charged. It consists of two main divisions, namely, Revenue Account (Revenue Receipts and Revenue Expenditure) and Capital Account (Public Debt and Loans, etc.).
Contingency Fund of India	Parliament has by law established a Contingency Fund in the nature of an imprest into which is paid from time to time such sums as may be determined by such law, and the said fund is placed at the disposal of the President to enable advances to be made by him out of it for the purpose of meeting unforeseen expenditure, pending authorisation of such expenditure by Parliament by law, under, Article 115 or Article 116 of the Constitution.
Excess Grant	In cases, where expenditure in individual 'segment' of Grant/Appropriation, i.e. Revenue (Charged), Revenue (Voted), Capital (Charged) and Capital (Voted) exceeds the authorisation as such, the Grant/Appropriation is termed as excess Grant.
External Debt	Debt contracted by the Government from abroad, mostly in foreign currency viz., loan from World Bank, IBRD, IDA, etc.
Internal Debt	Internal Debt comprises regular loans from the public in India, also termed 'Debt raised in India'. It is confined to loans credited to the Consolidated Fund of India.
Major Head	The main unit of classification in accounts is known as Major Head. A four digit code has been allotted to the Major Head, the first digit indicating whether the major head is a Receipt head or Revenue expenditure head or Capital expenditure head or Loan head.
Minor Head	Three digit code has been allotted to the Minor Head starting from "001" under each sub Major head/Major head (where there is no sub major head).

New Service	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.
New Instrument of Service	A large expenditure beyond a certain limit arising out of an important expansion of an existing activity.
Public Account	All moneys other than those included in the Consolidated Fund, received by or on behalf of Government of India, are credited to the Public Account of India [Article 266 (2) of the Constitution of India]. It includes transactions relating to 'debt' other than those included in the Consolidated Fund of India. Public Account transactions are not subject to vote/appropriation by Parliament and the balances are carried forward.
Re-appropriation	The transfer of funds from one primary unit of Appropriation to another such unit.
Revenue Deficit	This is equal to the excess of revenue expenditure over revenue receipts.
Supplementary Grant	If the amount authorised by any law made in accordance with the provisions of Article 114 of the Constitution, to be expended for a particular service for the current financial year, is found to be insufficient for the purpose of that year or when a need has arisen during the current financial year for the supplementary or additional expenditure upon some 'new service' not contemplated in the original budget for that year, Government is to obtain supplementary Grants or Appropriations in accordance with the provision of Article 115 (1) of the Constitution.
Savings	When expenditure falls short of budget provision, it results into saving.
Voted Grant	Sum required to meet other expenditure for which vote of Parliament is required under Article 113 (2) of the Constitution is called Voted Grant.