

**Report of the
Comptroller and Auditor General of India**

Presented to Lok Sabha
and Rajya Sabha on
Dated 12 FEB 2019

for the year 2017-18

**Union Government
Accounts of the Union Government
No. 2 of 2019
(Financial Audit)**

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PREFACE

This Report for the year ended March 2018 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 2018.

The observations arising from the audit of the Ministries are included in separate Reports.

HIGHLIGHTS

HIGHLIGHTS

This Report of the Comptroller and Auditor General of India (CAG) on the accounts of the Union Government analyses the Finance and Appropriation Accounts of Government of India (GoI) for the year 2017-18.

Chapter-1

- CISF booked security deposit/advance of ₹ 329 crore (till December 2017) as revenue receipts under Major Head-0055, thereby understating the liability of the Government as reflected under Deposits heads in Public Account.

(Para 1.2 (b))

Chapter-2

- In 36 Major heads, more than 50 *per cent* of total expenditure and receipts amounting to ₹ 11,801 crore was recorded under Minor head 800-Other Expenditure/Other Receipts, rendering the accounts opaque.

(Para 2.2)

- ₹ 94,036 crore collected under Secondary and Higher Education Cess was retained in the Consolidated Fund of India, contrary to procedure, instead of to the Fund that had been created for this purpose.

(Para 2.3 (c))

Chapter-3

- Total gross savings (without considering excess) under various Grants amounted to ₹ 2,50,228 crore (2.77 *per cent* of total authorisations) during 2017-18. Out of total savings, savings of ₹ 100 crore or more amounting to ₹ 2,47,227 crore (98.80 *per cent* of total savings) had occurred in 72 segments of 54 Grants.

(Para 3.3)

- During 2017-18, the entire cash supplementary remained unutilised in 18 cases across 15 Grants. In 11 such cases involving cash supplementary of ₹ 11,017 crore, actual expenditure was even less than the original provisions.

(Para 3.4)

- Excess expenditure aggregating ₹ 1,156.80 crore was incurred during 2017-18 without obtaining prior approval of Parliament as Ministry of Finance did not devise a suitable mechanism in respect of New Service/New Instrument of Service.

(Para 3.7)

- In two instances, Ministry of Finance violated its own instructions regarding prior approval of CAG before concurring with re-appropriation orders for enhancing the provision under object head 'Secret Service Expenditure'.

(Para 3.10)

Chapter 1: Overview of Union Finances

1.1 Introduction

The annual accounts of the Government of India (GoI) presented to Parliament, consist of the Finance Accounts and the Appropriation Accounts. The Finance Accounts depict the receipts and payments from the Consolidated Fund, Contingency Fund and Public Account. The Appropriation Accounts compare the expenditure with the amounts authorised by Parliament and provide the explanations of the Executive on the excesses or savings under each grant/appropriation.

Chapter 2 of this Report contains audit comments¹ on the Finance Accounts; Chapter 3 contains audit comments on the Appropriation Accounts.

1.1.1 Overview of GoI Finances

A snapshot of the assets and liabilities position of GoI is given in **Table 1.1**.

Table 1.1 Statement of Assets and Liabilities

(₹ in crore)

Liabilities			Assets		
Particulars	As on 31 March 2017	As on 31 March 2018	Particulars	As on 31 March 2017	As on 31 March 2018
Internal Debt	57,41,709	64,01,275	Gross Capital Outlay- Investment in shares of Companies, Co-operative Societies etc.	6,68,744	7,96,396
External Debt	2,28,259	2,50,090	Other Capital Expenditure	15,17,175	17,12,912
Small Savings, Provident Funds etc.	5,48,348	5,54,171	Loans to Government corporations, non-Government institutions, local funds, cultivators etc.	1,04,630	1,11,249
Contingency Fund	500	500	Loans to State/ Union Territory Governments	1,57,547	1,62,011
Reserve Funds	25,665	44,088	Loans to Foreign Governments	12,920	13,433
Deposits and Advances	1,82,831	2,07,968	Loans and Advances to Government Servants and Miscellaneous Loans	209	110
			Suspense and Miscellaneous Balances	21,090	32,726
			Remittance Balances	12,359	9,151

¹ Amounts have been rounded off in this Report

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			Cash Balance	1,25,350	1,62,555
			Investment		
			General Cash Balance	5,499	1,408
			Cash with Departmental Offices	3,869	4,604
			Permanent Cash Imprest	85	93
			Deficit		
			Revenue Deficit for the year	3,17,030	4,48,942
			Add- Deficit at the beginning of the year (balancing figure)	37,80,805	40,02,502
Total	67,27,312	74,58,092	Total	67,27,312	74,58,092

1.1.2 Receipts and Disbursements of GoI

Receipts and Disbursements of GoI for 2016-17 and 2017-18 are given in **Table 1.2**.

Table 1.2 Statement of Receipts and Disbursements

(₹ in crore)

Receipts			Disbursements		
	2016-17	2017-18		2016-17	2017-18
Tax Revenue	11,07,968	12,46,178	General Services	9,26,181	10,10,124
Non-Tax Revenue	5,06,720	4,41,383	Social Services	97,210	1,01,337
Grants-in-Aid and Contributions	1,300	3,582	Economic Services	6,18,626	6,47,098
Capital Receipts	47,743	1,00,048	Grants-in-Aid and Contributions	2,91,001	3,81,525
Public Debt	61,34,136	65,54,002	Expenditure on Capital Account	2,49,472	3,25,116
Loans and Advances	40,971	70,639	Public Debt	56,78,823	58,72,605
			Loans and Advances	60,011	82,136
Total - Consolidated Fund of India	78,38,838	84,15,832		79,21,324	84,19,941
Public Account					
Small Savings, Provident Funds etc.	7,54,401	8,50,460	Small Savings, Provident Funds etc.	7,19,149	8,44,638
Reserve Funds	2,21,982	3,07,037	Reserve Funds	2,28,418	2,88,614
Deposits and Advances	2,12,694	2,66,452	Deposits and Advances	1,94,902	2,41,314
Suspense and Miscellaneous	83,729	6,134	Suspense and Miscellaneous	34,247	58,708
Remittance	1,143	4,309	Remittance	5,852	1,101
Total -Public Account	12,73,949	14,34,392		11,82,568	14,34,375
Total Receipts	91,12,787	98,50,224	Total Disbursement	91,03,892	98,54,316
Opening Cash Balance	-3,397 ²	5,499	Closing Cash Balance	5,499	1,408

² The negative cash balance is the accounting balance as on 31 March 2016. This has arisen due to the RBI accounting for the residual transactions for Financial year 2015-16 during 1 April 2016 to 10 April 2016.

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

GoI's total investment was ₹ 7,96,396 crore at the end of 2017-18, an increase of ₹ 1,27,652 crore over 2016-17. GoI received dividend/surplus of ₹ 91,229³ crore from 109 entities with an investment of ₹ 3,10,669 crore during the year.

The major contributors to dividend/surplus were Reserve Bank of India (RBI) (₹ 40,659 crore), Coal India Ltd. (₹ 8,045 crore), Indian Oil Corporation Ltd. (₹ 5,535 crore), Oil and Natural Gas Corporation Ltd. (₹ 5,275 crore), NTPC Ltd. (₹ 2,531 crore), Nuclear Power Corporation of India (₹ 2,500 crore), Airport Authority of India (₹ 2,476 crore), Life Insurance Corporation (₹ 2,376 crore), Nationalised Banks (₹ 1,826 crore), Power Grid Corporation of India (₹ 1,744 crore), Bharat Petroleum Corporation of India Ltd. (₹ 1,729 crore) and Power Finance Corporation (₹ 1,366 crore).

Ministry/Department wise details are given in **Table 1.3**.

Table 1.3: Details of dividend/surplus earning Entities

(₹ in crore)

Sl. No.	Ministries/ Departments	Number of Entities	Dividend received
1.	Civil Aviation and Tourism	4	2,510
2.	Finance	6	4,206
3.	Petroleum and Natural Gas	8	14,598
4.	Steel & Mines	9	2,983
5.	Railways	8	837
6.	Defence	8	2,059
7.	Power	10	8,708
8.	Coal	3	8,652
9.	Industry	6	356
10.	New and Renewable Energy	2	169
11.	Shipping	3	223
12.	Urban Affairs	3	219
13.	Atomic Energy	6	2,584
14.	Others*	33	43,125
	Total	109	91,229

Source: Statement No 11 of GoI Finance Accounts.

* Others includes RBI and State Co-operative Banks/Institutions and other units.

Disinvestment constitutes a major portion of Capital Receipts. Out of total disinvestment proceeds of ₹ 88,969 crore, five units viz., Hindustan Petroleum Corporation Ltd., NTPC Ltd., General Insurance, New India Assurance Company Ltd., Hindustan Aeronautical Ltd. contributed 78.13 per cent (₹ 69,514 crore).

³ As per statement 11 of Finance Accounts. However, as per statement 8, total dividend/profit /surplus received was ₹ 91,367 crore. This has been discussed in para 2.7 (c) of the Report.

Further, of the total disinvestment proceeds, ₹ 2,802 crore was received as Face value (3 per cent) and ₹ 86,167 crore (97 per cent) as Premium on disinvestments.

1.2 Audit Comments accepted by the Executive

In the following cases, Ministry of Railways (August 2018) and Ministry of Home Affairs (September 2018) accepted the Audit observations and promised corrective action.

(a) Unauthorized booking of National Pension System under Major Head 8342.117-Other Deposits

New Pension Scheme was initially designed for Government employees (except for armed forces) with effect from January 1, 2004. It was further redesigned as National Pension System (NPS) in 2009 and extended to all citizens of India between the age of 18-60 years. In respect of Government employees, Government matches the contribution of employees and the accumulations are booked against individual Pension accounts of employees.

As per the accounting procedure approved by Ministry of Finance (September 2008), no contributions are to be parked under the Head of Account "8342.117-Other Deposits-Defined Contribution Pension Scheme" even as a temporary measure.

Audit noted that an amount of ₹ 205.67 crore⁴ was wrongly parked under the above Major head. Consequently, the balances remained to be transferred to the individual Pension accounts, along with interest thereon.

(b) Misclassification of Security Deposits amounting to ₹ 329 crore as receipts in Government Accounts

Central Industrial Security Force (CISF) deploys security personnel at the request of the Central Public Sector Undertakings (CPSUs)/Airports etc., against security advance equal to three months billing payable in advance.

CISF had wrongly booked security deposit/advance of ₹ 329 crore (till December 2017) as revenue receipts under Major Head-0055 Police instead of Deposits heads in Public Account resulting in understatement of liability and overstatement of revenue receipt for the year.

⁴ Ministry of Railways - ₹ 205.58 crore; Ministry of Agriculture - ₹ 7.51 lakh; and Department of School Education and Literacy - ₹ 1.92 lakh

Chapter 2: Comments on Finance Accounts

2.1 Introduction

As per the Allocation of Business Rules, the Controller General of Accounts (CGA) is responsible for the general principles of Government Accounting relating to Union or State Governments and form of Accounts, and framing or revision of rules and manuals relating thereto and also overseeing the maintenance of adequate standard of accounting by Central Civil Accounts Offices. CGA prepares the Finance Accounts based on inputs (Statement of Central Transactions, Journal Entries, Prior Period Adjustments, Proforma Adjustments) received from various Accounting Authorities of the concerned Ministries/Departments of the Union Government.

General Financial Rules (GFR) stipulate that the Secretary to the Government is the Chief Accounting Authority (CAA) of the concerned Ministry/ Department. He discharges his functions with the assistance of the Financial Advisors (FA) and Chief Controller of Accounts (CCA)¹ of the Ministry/Department concerned².

The succeeding paragraphs highlight instances where the above authorities failed to fulfil their responsibilities resulting in shortcomings in transparency, presentation, disclosures, accuracy, classification, completeness and other discrepancies in the Finance Accounts of the Government of India. Similar comments have regularly appeared in previous CAG Reports, but continue to persist, primarily because of failure of the above authorities to take any effective measures in this regard.

2.2 Opaqueness in Accounts

Minor head 800 relating to 'Other Receipts/ Other Expenditure' is to be operated only in cases when the appropriate Minor head has not been provided in the accounts. If such repetitive receipt or expenditure occurs, it is the responsibility of the accounting authorities to open appropriate Minor heads. Indiscriminate booking of receipts and expenditure under Minor head 800 results in opaqueness in accounts.

- (a) Due to failure of the authorities mentioned in paragraph 2.1 above, ₹ 20,855 crore was booked as expenditure under minor head 800-Other Expenditure

¹ Includes Principal Chief Controller, Chief Controller and Controller of Accounts as the case may be.

² Defence Accounts-Financial Advisor, Defence Services; Postal Services Accounts-Joint Secretary and Financial Advisor-Department of Posts; and Railway Accounts-Financial Commissioner, Railway Board.

during 2017-18. Six GoI Ministries/Departments³ booked ₹ 6,475 crore, representing more than 50 *per cent* of the expenditure against 10 specific Major heads, under Minor head 800.

- (b) Similarly, 14 GoI Ministries/Departments⁴ booked receipts of ₹ 5,326 crore under Minor head 800-Other Receipts (26 Major heads) which is more than 50 *per cent* of receipts of ₹ 6,228 crore.

The accounting authorities of these Ministries/Departments failed to take corrective action despite the fact that similar comments had been made in previous CAG Reports in respect of these Ministries/Departments.

2.3 Deficiencies in Cess collection and utilisation

A Cess is an additional tax levied by the Government to raise funds for a specific purpose. GoI collected ₹ 2,14,050 crore under 42 Cess in 2017-18. Major Cess that were subsumed under Goods and Services tax (GST) w.e.f 01 July 2017 are Krishi Kalyan Cess, Swachh Bharat Cess, Clean Energy Cess and Cess on Tea, Sugar and Jute etc. However, six⁵ Cess continue to be levied.

a. Under-utilisation of Cess collected under Research & Development (R&D) Cess

R&D Cess Act, 1986 provides for levy and collection of a Cess on all payments made for the import of technology. After creation of Technology Development Board (TDB) in 1996, the money collected is to be disbursed as Grants-in-aid to TDB.

₹ 8,077 crore was collected under R&D Cess from 1996-97 to 2017-18. Of this, only ₹ 779 crore (9.64 *per cent*) was disbursed to Technology Development Board (TDB) Further, though the Cess was abolished with effect from April 2017, Cess amounting to ₹ 191.41 crore and ₹ 1.14 crore was irregularly collected during 2017-18 and 2018-19 (September 2018) respectively.

³ Ministry of Defence (₹ 1,037 crore out of ₹ 1,705 crore), Department of Telecommunications (₹ 3,866 crore out of ₹ 3,869 crore), Ministry of Water Resources, River Development and Ganga Rejuvenation (₹ 1,350 crore out of ₹ 1,936 crore), Ministry of Mines (100 *per cent* of ₹ 85 crore), Ministry of Commerce (100 *per cent* of ₹ 81 crore), Ministry of Rural Development (₹ 56 crore out of ₹ 99 crore)

⁴ Major Ministries are Ministry of Defence (₹ 1,376 crore out of ₹ 1,935 crore), Ministry of Agriculture and Farmers Welfare (₹ 1,422 crore out of ₹ 1,470 crore), Ministry of Mines (₹ 1,205 crore out of ₹ 1,217 crore), Ministry of Human Resource and Development (₹ 272 crore out of ₹ 292 crore), Ministry of Urban Development (₹ 573 crore out of ₹ 738 crore) etc.

⁵ Primary Education Cess, Secondary Education Cess, Education Cess on Imported Goods, Cess on Crude Petroleum Oil, Road Cess, NCCD on Tobacco and Tobacco Products and Crude Petroleum Oil.

b. Short transfer of Cess

Audit noted short transfer of Cess collected in Consolidated Fund of India (CFI) to the dedicated non-lapsable fund in Public Account as depicted in **Table 2.1**.

Table 2.1 : Short transfer of Cess

(₹ in crore)

Name of Cess	Name of Fund	Year of start of collection	Short transfer up to March 2018	Ministry/Department
Swachh Bharat Cess	Rashtriya Swachhata Kosh (RSK)	2015-16	4,891 (from 2015-16)	Ministry of Drinking Water/Ministry of Urban Development
Primary Education Cess	Prarambhik Shiksha Kosh	2004-05	1,977 (2017-18)	Ministry of Human Resource Development
Road Cess	Central Road Fund	1998-99	72,726 (2010-11)	Ministry of Road Transport and Highways
Clean Energy Cess	National Clean Energy Fund	2010-11	44,505 (2010-11)	Ministry of New and Renewable Energy

Comments on short transfer of funds with respect to Road Cess and Clean Energy Cess have been repeatedly pointed out since 2010-11. However, the accounting authorities have taken no action in this regard.

c. Secondary and Higher Education Cess (SHEC)

The Cess was levied in 2006-07 and ₹ 94,036 crore has been collected so far. The Cess is being retained in the CFI, contrary to procedure, though a Fund (Madhyamik and Uchchatar Shiksha Kosh) for this purpose was created in August 2017, and has not been operationalised so far.

This issue has been reported regularly in previous CAG Reports.

2.4 Short receipt of Guarantee Fees

Under Article 292 of the Constitution, GoI may give guarantees within such limits, if any, as may be fixed by Parliament by law. The GFRs stipulate that the rates of guarantee fee would be as notified by the Budget Division, Department of Economic Affairs, Ministry of Finance.

Audit observed that the accounting authorities of five Ministries/Departments, failed to realise ₹ 1,144 crore towards guarantee fees during 2017-18 as depicted in **Table 2.2**.

Table 2.2: Short receipt of Guarantee Fee

(₹ in crore)

Sl. No.	Ministry/Department	Guarantee Fee receivable	Guarantee Fee received	Short receipt of Guarantee Fee
1.	Water Resources	2.59	0	2.59
2.	Chemicals and Petro Chemicals	2.50	0	2.50
3.	Micro, Small and Medium Enterprises (MSME) ⁶	78.41	0.24	78.17
4.	Ministry of Chemicals and Fertilizer-Pharmaceuticals	81.47	0	81.47
5.	Civil Aviation	1,148.68	168.97	979.71
Total		1,313.65	169.21	1,144.44

Similar comments had appeared in the CAG Report of 2016-17 in respect of three Ministries/Departments (MSME, National Small Industries Corporation Ltd., Civil Aviation and Ministry of Chemicals and Fertilizer-Pharmaceuticals. However, no corrective action has been taken.

2.5 Adverse balances

Adverse balances are those balances which are erroneously accounted as credit instead of debit and *vice versa*. There are 77 cases of adverse balances under Loans and Advances, Debt, Deposits and Remittances heads amounting to ₹ 14,812 crore, which includes 21 cases that are more than 10 years old as depicted in **Table 2.3**.

Table 2.3: Adverse balances

(₹ in crore)

Sl. No.	Ministry/Entity	No. of Adverse Heads	Amount
1.	Railways	6	7,482
2.	Post	5	55
3.	Labour and Employment	1	211
4.	Urban Development	4	219
5.	Chemicals and Petrochemicals	2	1,865
6.	Water Supply and Sanitation	1	2
7.	Forest, Climate and Environment	2	1
8.	Rural Development	2	102
9.	Power	2	227
10.	MSME	1	1
11.	Mining	1	9
12.	Civil Aviation	1	38
13.	Finance	2	1
14.	Commerce and Industry	1	1,182
15.	States Government	27	106
16.	CGDA Defence	1	1,872
17.	Others	18	1,439
Total		77	14,812

⁶ MSME has two entities viz., KVIC and National Small Industries Corporation Ltd.

The adverse balance of ₹ 211 crore in respect of Ministry of Labour and Employment was due to excess withdrawal from the Beedi Workers Welfare Fund. This issue has been regularly commented upon in previous CAG Reports but no corrective action has been taken.

In respect of Ministry of Urban Development, adverse balance was due to excess withdrawal of ₹ 159 crore from Rashtriya Swachhta Kosh (RSK). Though this comment was also made in the CAG Report of 2016-17, no corrective action has been taken.

2.6 Dormant Reserve Funds and Deposits

Dormant funds/deposits are those which are not in operation for long periods of time and might have outlived their utility. Such dormant funds/deposits in the Public Account need to be closed and the balances transferred back to Consolidated Fund of India.

Audit observed that the accounting authorities of Department of Economic Affairs, Ministry of Railways, Department of Telecommunications, Ministry of Home Affairs and States/UTs Government failed to take action to close 34 funds/deposits⁷ with aggregate balance of ₹ 692 crore that had been lying dormant for 10 to 30 years, despite the fact that similar comments on the same Ministries/Departments had been made even in previous CAG Reports.

2.7 Incorrect depiction of Government investment in the Finance Accounts

Statement 11 of the Finance Accounts of the GoI provides details of GoI 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. Audit found various defects/discrepancies in succeeding paragraphs.

(a) 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 the following discrepancies, as detailed in **Table 2.4**.

⁷ Seven reserve funds, 22 deposits and five other liabilities

Table 2.4: Discrepancies in Government investment

(₹ in crore)

Sl. No.	Entity	Equity investment by Government	
		As per Statement 11 of Finance Accounts for 2017-18	As per Annual Accounts of Entity for 2017-18
1.	Andrew Yule and Company Ltd.	85.90	87.27
2.	Scooters India Ltd.	168.61	80.03
3.	Power Grid Corporation of India Ltd.	2,873.49	2,977.31
4.	North Eastern Agricultural Marketing Corporation, Guwahati	8.89	7.62
5.	Security Printing and Minting Corporation of India Ltd.	0.05	1064.19
6.	Konkan Railway Corporation Ltd.	569.39	4,648.92
7.	Slaughter House Corporation	9.25	1.18*
8.	Bharat Dynamics Ltd. Hyderabad (BDL)	97.75	160.83
9.	Garden Reach Shipbuilders & Engineers Ltd. (GRSEL)	123.84	114.55
10.	Mazagaon Dock Shipbuilders Ltd., Mumbai (MDL)	199.20	224.10
11.	Hindustan Aeronautics Ltd. Bangalore (HAL)	361.50	300.86
12.	Bharat Electronics Ltd. Bangalore (BEL)	152.30	162.74
13.	Goa Shipyard Ltd. Visakhapatnam (GSL)	14.87	29.73

*Investment Register of Ministry of Food Processing Industries.

(b) Incomplete information on investment

In respect of 17 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.

(c) Discrepancies in depiction of dividends received

Cross verification of dividend information contained in Statement 11 with Statement No 8 (detailed account of revenue receipts and capital receipts by major heads) revealed discrepancies, as detailed in **Table 2.5**.

Table 2.5: Discrepancies in depiction of dividends received*(₹ in crore)*

Observation	Statement-8	Statement -11	Difference
Dividend received on investments in Public Sector and other entities	91,367	91,229	138

CGA stated (August 2018) that the difference pertains to Ministry of Railways which has not been shown by them in their Statement No. 11. The reply is not acceptable, since the CGA prepares the Finance Accounts, which is signed by the CGA and countersigned by the Secretary, Department of Expenditure. It is, therefore, their responsibility to ensure that there is no inconsistency in the accounts.

(d) Discrepancies in depiction of percentage of Government Investment

In six cases, as shown in **Table 2.6**, Government Investment had increased during 2017-18 but percentage of Government investment was not shown as increased.

Table 2.6: Discrepancies in depiction of percentage of Government Investment*(₹ in crore)*

Sl. No.	Name of Enterprise	Amount invested up to 31 March 2017	Amount invested up to 31 March 2018	Percentage of investment as on 31 March 2017 & 2018
1.	Indian Medicines Pharmaceuticals Corporation Ltd.	49	51	98
2.	Industrial Finance Corporation of India Ltd.	983	1,017	56
3.	Konkan Railway Corporation Ltd.	411	569	52
4.	Delhi Metro Rail Corporation Ltd.	9,767	9,843	50
5.	MAHA (Nagpur & Pune Metro Rail Corporation)	225	825	50
6.	National Minority Development Finance Corp. Ltd.	908	1,078	82

(e) Inconsistencies 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 inconsistencies in depiction of Investment by GoI for the financial year 2017-18, as detailed in **Table 2.7**.

Table 2.7: Inconsistencies in depiction of Government Investment

(₹ in crore)

Sl. No.	Ministry	Company	Investment	
			Finance Accounts	Appropriation Accounts (Annexure C)
1.	Department of Telecommunications	Indian Telephone Industries (ITI)	200	337
2.	Social Justice and Empowerment	National Handicapped Finance and Development Corporation	-	25

2.8 Non-recovery of outstanding Loans and Advances

Statements 3 and 15 of the Finance Accounts for the year 2017-18 showed that total loan outstanding against State/UT Governments and other entities as on 31 March 2018 was ₹ 2,73,261 crore, against which ₹ 53,985 crore represented Loans and Advances in arrears as detailed in **Table 2.8**.

Table 2.8: Total outstanding Loans and Advances

(₹ in crore)

Sl. No.	Name of Loanee	Arrears as on 31 March 2018		
		Principal	Interest	Total
1.	State Government	366	1,577	1,943
2.	Union Territories	1,512	1,239	2,751
3.	Other Loanee	16,437	32,854	49,291
Total		18,315	35,670	53,985

Age-wise analysis of outstanding loans in arrears is given in **Table 2.9**.

Table 2.9: Age wise details of Loans and Advances in Arrears

(₹ in crore)

Sl. No.	Category of Loanee	No. of States/UTs	Arrears as on 31 March 2018	
			Period of Arrears (in years)	Amount
1.	States/UTs Government	16	>25	1,990
		11	15-25	2,705
2.	Entities	82	>25	31,606
		24	15-25	7,273
		48	5-15	9,243
		4	<5	1,168
Total		185		53,985

Source: Section 2 and 3 of Statement 15

GoI should review the balances of outstanding Loans and Advances for appropriate action.

2.9 Treatment of un-apportioned Integrated Goods and Services Tax (IGST)

The amount of IGST collected is required to be apportioned between Centre and States as per the procedure prescribed in the IGST Act.

Audit observed that GoI has devolved ₹ 67,998 crore under IGST to States/UTs. Only 50 *per cent* of the IGST revenues are of the Centre, and devolution is possible only from the Central Share. Thus the devolution, as done, is not consistent with the scheme of GST/IGST. CAG has advised that GoI needs to account for its share correctly and devolution should take place from the Central share only. The remaining 50 *per cent* should be apportioned to the States as per the law.

Ministry of Finance, Department of Economic Affairs in its reply (September 2018) stated that IGST shall be provisionally devolved as per the Budget formulation by Department of Revenue subject to final outcome on approval of accounting process.

Chapter 3: Comments on Appropriation Accounts

3.1 Introduction

The total expenditure of Government of India (GoI) against approved demands during 2017-18 was ₹ 88,81,034 crore, of which ₹ 81,80,553 crore (92.11 per cent) was incurred by Civil Ministries (96 Grants), ₹ 3,81,568 crore (4.30 per cent) by Railways (one Grant), ₹ 2,92,131 crore (3.29 per cent) by Defence (two Grants) and ₹ 26,782 crore (0.30 per cent) by Department of Posts (One Grant). Details are given in **Annexure 3.1**.

Article 114(3) of the Constitution provides that no money shall be withdrawn from the Consolidated Fund of India except under appropriations made by law. General Financial Rules (GFR), 2017, stipulate that no expenditure shall be incurred which might have the effect of exceeding the total Grant or Appropriation authorised by Parliament for a financial year except after obtaining a supplementary Grant or an advance from the Contingency Fund.

Further, the Accounts Officer shall not allow any payment against sanctions in excess of the Budget provisions unless there is specific approval of the Chief Accounting Authority, i.e., the Secretary of the concerned Ministry/ Department. Before according concurrence for excess under any Head, the Financial Advisers and Chief Accounting Authority shall ensure availability of funds through Re-appropriation/ Supplementary Demands for Grants.

3.2 Grants/Appropriations with excess expenditure

Audit of the Appropriation Accounts revealed failure of the accounting authorities from the highest to lowest levels to enforce accountability, resulting in violation of the principles enunciated above, leading to an excess expenditure of ₹ 99,610 crore over Parliamentary authorisation during 2017-18. Details are given in **Table 3.1**.

Table 3.1: Excess expenditure over Grants/Appropriations

(₹ in crore)

Sl. No.	Description of Grant/Appropriation	Total Appropriation	Expenditure	Excess Expenditure
1.	20 -Defence Services (Revenue) Revenue (Voted)	1,98,263.75	2,01,655.68	3,391.93
2.	21 -Capital Outlay on Defence Services Capital (Charged)	341.37	545.72	204.35
3.	21 -Capital Outlay on Defence Services Capital (Voted)	86,339.96	89,892.68	3,552.72

4.	38-Appropriation – Repayment of Debt Capital (Charged)	57,80,270.94	58,72,604.63	92,333.69
5.	39- Pensions Revenue (Voted)	40,895.00	41,022.62	127.62

Such excess expenditure over grants approved by Parliament are in violation of the will of the Parliament and the basic principle of democracy that not a rupee can be spent without the approval of the Parliament, and therefore, must be viewed seriously.

Other irregularities are given in the succeeding paragraphs. These failures are compounded by the fact that similar irregularities have regularly been reported in previous CAG Reports, but no effective steps have been taken by the concerned accounting authorities to stop the violations to Parliamentary budgetary control.

3.3 Savings of ₹ 100 crore or more (Grant level)

The Public Accounts Committee (PAC) (10th Lok Sabha, 1993-94) in its 60th Report (paras 1.22 and 1.24) had observed that savings of ₹ 100 crore or above are indicative of defective budgeting as well as shortfall in performance in a Grant or Appropriation. Large savings is indicative of poor budgeting or shortfall in performance or both, in respect of the concerned scheme being implemented by the Ministry/Department.

The succeeding paragraphs indicate that the Ministries/Departments did not prepare estimates of expenditure on realistic basis and the mechanism of holding pre-budget meetings and scrutiny by the Ministry of Finance for ensuring realistic budgetary projections did not have the desired effect.

Total gross savings¹ (without considering excess) under various Grants amounted to ₹ 2,50,228 crore (2.77 per cent of total authorisations) during 2017-18. Such savings not only indicated poor budgeting, it also implies unnecessary provisioning of resources through taxes etc., and depriving resources to other deserving sectors of the economy.

Out of total savings, savings of ₹ 100 crore or more amounting to ₹ 2,47,227 crore (98.80 per cent) had occurred in 72 segments² of 54 Grants during the financial year 2017-18. Of these, persistent savings of ₹ 100 crore or more occurred in 38 segments of 30 Grants/Appropriations during the last three years (2015-16 to 2017-18).

¹ Savings also include mandatory cuts imposed by Ministry of Finance towards economy measures.

² There are four segments viz., Revenue (Voted), Revenue (Charged), Capital (Voted) and Capital (Charged) under each Grant/Appropriation.

Large savings³ (₹ 5,000 crore or more) occurred in the following Grants as detailed in **Table 3.2**.

Table 3.2: Details of large savings in Grants/Appropriations

(₹ in crore)

Sl. No.	Grant No. and Name	Total Grant/ Appropriation	Expenditure	Savings (as % to total Grant)
1.	80-Ministry of Railways	4,32,244	3,81,568	50,676 (11.72)
2.	16-Department of Food and Public Distribution	2,05,015	1,56,787	48,228 (23.52)
Major savings occurred under sub-head 'Subsidy payable to Food Corporation of India and others on food grains transactions'.				
3.	40-Transfer to States	1,57,201	1,28,577	28,624 (18.21)
Major savings occurred under sub-heads 'NDRF for calamities of severe nature', 'Transfer to National Disaster Response Fund', 'Grants for Centrally Sponsored Schemes', 'Rural Bodies Grants (States)', 'Urban Bodies Grants (States)' and 'Special Assistance (States)'.				
4.	33-Department of Revenue	1,24,097	99,493	24,604 (19.83)
Major savings occurred under sub-head 'Compensation for revenue loss to States'.				
5.	14-Department of Telecommunications	40,188	31,055	9,133 (22.73)
Major savings occurred under sub-heads 'Compensation to Service providers', 'Transfer to Universal Service Obligation Fund' and 'Investment in Hemisphere Properties India Ltd'.				
6.	24-Ministry of Drinking Water and Sanitation	36,333	27,339	8,994 (24.75)
Major savings occurred under sub-heads 'Swachh Bharat Abhiyan (Gramin)' and 'Transfer to Rashtriya Swachhta Kosh'.				
7.	97-Ministry of Urban Development	38,038	31,405	6,633 (17.44)
Major savings occurred under sub-heads 'MRTS and Metro Projects', 'Swachh Bharat Mission' and 'Urban Development Construction'.				
8.	1-Department of Agriculture, Co-operation and Farmers' Welfare	52,668	46,455	6,213 (11.80)
Major savings occurred under sub-heads 'Interest Subsidy for Short Term Credit to Farmers', 'Adjustment of Provision' and 'Green Revolution – Krishonnati Yojna'.				
9.	29-Department of Economic Affairs	15,690	9,490	6,200 (39.52)

³ Total savings in a Grant/Appropriation

Major savings occurred under sub-heads 'Transfer to National Investment and Infrastructure Fund', 'Purchase of Coins from SPMCIL-Coins', 'New Scheme' and 'Loans to IMF under New Arrangements to Borrow (NAB)'.				
10.	42-Department of Health and Family Welfare	87,486	81,559	5,927 (6.77)
Major savings occurred under sub-heads 'Fund for transfer to National Investment Fund', 'NRHM-RCH Flexible Pool', 'Material Assistance for Strengthening of National Immunisation Programme and Polio Eradication', and 'Establishment of AIIMS type Super-Speciality Hospitals-cum-Teaching Institutions and upgrading of State Government Hospitals'				
11.	81-Ministry of Road Transport and Highways	1,22,898	1,17,153	5,745 (4.67)
Major savings occurred under sub-heads 'Grants for State Roads', 'Works under Roads Wing', 'National Highways Original Works', 'Other Highways Related Schemes Financed from Central Road Fund' and 'Transfer to Central Road Fund'.				
12.	7-Department of Fertilizers	94,797	89,788	5,009 (5.28)
Major savings occurred under sub-head 'Urea Subsidy'.				

Savings of more than ₹ 5,000 crore have been noticed in three Grants-Transfer to States, Department of Economic Affairs and Ministry of Road Transport and Highways during the last three years. Appropriate action has not been taken by the accounting authorities to control the large savings even after these being pointed out in the previous Audit Reports.

3.4 Unnecessary cash supplementary provision at Grant level

In 18 cases across 15 Grants, cash supplementary⁴ provisions were obtained during 2017-18 in anticipation of higher expenditure but entire cash supplementary remained unutilised. In 11 such cases, cash supplementary aggregating to ₹ 11,017 crore was obtained where the actual expenditure was even less than the original provisions as detailed in **Table 3.3**.

⁴ There are three types of Supplementary Grant viz., Cash, Token and Technical.

Cash Supplementary- When Ministry/Department requires additional funds over and above the original budget provisions, cash supplementary is obtained.

Token Supplementary- When Ministry wants to re-appropriate savings from one head to another within a particular segment of the Grant and approval of Parliament is required, token supplementary is obtained.

Technical Supplementary- When the Ministry/Department requires to re-appropriate savings available in one segment to other segment of the Grant, a technical supplementary is obtained.

Token and Technical supplementary does not involve outflow of funds from CFI.

Table 3.3: Unnecessary cash supplementary leading to savings

(₹ in crore)

Sl. No.	Grant/Appropriation	Original Provision	Total Supplementary Grant obtained	Cash Supplementary	Actual Expenditure	Savings (% of cash supp.)
Civil Grants - Revenue (Voted)						
1.	12 -Department of Industrial Policy & Promotion	3,599	2,000	2,000	3,527	2,072 (104)
Large cash supplementary was obtained under 'Budgetary Support under Goods and Service Tax Regime'.						
2.	15 -Department of Consumer Affairs	3,723	500	500	3,714	509 (102)
Large cash supplementary was obtained under 'Price Stabilization Fund'.						
3.	16 -Department of Food and Public Distribution	1,50,953	3,539	3,487	1,06,287	48,205 (1382)
Large cash supplementary was obtained under 'Subsidy payable to Food Corporation of India and other on food grain transactions'.						
4.	24 -Ministry of Drinking Water and Sanitation	32,333	4,000	4,000	27,339	8,994 (225)
Large cash supplementary was obtained under 'Swachh Bharat Abhiyan (Gramin)' and 'National Rural Drinking Water Programme'.						
5.	47 -Cabinet	730	20	20	608	142 (710)
Cash supplementary was obtained under 'Office of the Principal Scientific Advisor'.						
6.	94 -Ministry of Textiles	6,191	34	24	5,919	306 (1275)
Cash supplementary was obtained under 'Procurement of Cotton by Cotton Corporation of India under Price Support'.						
7.	96 -Ministry of Tribal Affairs	1,133	9	6	1,081	61 (1017)
Cash supplementary was obtained under 'Secretariat - Ministry of Tribal Affairs'.						
8.	97 -Ministry of Urban Development	17,356	1,170	50	15,984	2,542 (5084)
Cash supplementary was obtained under 'Buildings-Lease Charges' and minor work.						
9.	98 -Ministry of Water Resources, River Development and Ganga Rejuvenation	8,406	1,151	728	5,700	3,857 (530)
Large cash supplementary was obtained under 'National River Conservation Plan', 'Pradhan Mantri Krishi Sinchai Yojana (Har Khet ko Pani)' and 'Border Area Development Programme'.						
Capital (Voted)						
10.	19 -Ministry of Defence (Misc.)	5,489	500	116	5,036	953 (822)
Large cash supplementary was obtained under 'Coast Guard Organisation'.						
11.	97 -Ministry of Urban Development	19,243	86	86	15,288	4,041 (4699)
Cash supplementary was obtained under 'Office Building of Other Ministries/Departments'.						
Total				11,017		

3.5 Injudicious re-appropriation

(a) To minor/sub-heads

Audit noted that in 11 cases across eight Grants/Appropriations, funds aggregating to ₹ 825 crore were re-appropriated to various minor/sub-heads without assessing actual requirements. These re-appropriations were injudicious as the final savings under these heads were more than the amount re-appropriated.

(b) From minor/sub-heads

Similarly, in four cases across three Grants/Appropriations, funds aggregating to ₹ 77 crore were re-appropriated from various minor/sub-heads. In each of these heads, the excess expenditure was more than the amount re-appropriated.

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

3.6 Expenditure without budget provision

Ministry of Railways transferred ₹ 160 crore to the Railway Safety Fund (RSF) without budgetary approval of Parliament.

3.7 Failure to obtain Legislative approval for augmenting provision

Ministry of Finance, Department of Economic Affairs order (May 2006) and clarifications (May 2012) stipulates revised guidelines on financial limits to be observed in determining cases relating to 'New Service (NS)/New Instrument of Service (NIS)'. New Service refers to expenditure 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 as appearing in Article 115(1)(a) of the Constitution of India and 'New Instrument of Service' refers to relatively large expenditure arising out of important expansion of an existing activity.

As per the Guidelines, any augmentation of provision by way of re-appropriation to the object heads (i) 'Grants-in-aid' (ii) Subsidies and (iii) Major Works attract limitation of NS/NIS and hence require prior approval of Parliament.

In regard to the cases of NS/NIS on augmentation under the object head '53-Major Works' all cases relating to augmentation of funds above ₹ 2.5 crore or above 10 *per cent* of the appropriation already voted, would require prior approval of Parliament, irrespective of the fact whether the augmentation is for new works or for existing works.

PAC in its 83rd Report had also taken a serious view on cases of augmentation of provision to object head 'Grants-in-aid' and 'Subsidies'.

PAC noted that 'these serious lapses are a pointer towards faulty budget estimation and deficient observances of Financial Rules by the Ministries/Departments concerned'. PAC was also of the opinion that 'as mere issue of instructions have not yielded the desired results, there is an imperative need on the part of the Ministry of Finance to devise an effective mechanism for imposing financial discipline on all the Ministries/Departments so as to avoid recurrence of such serious lapses'.

Despite the PAC recommendations, Ministry of Finance had not devised a suitable mechanism, as a result of which, during 2017-18 in the following cases across 13 grants, there was excess expenditure over total authorisation aggregating to ₹ 1,156.80 crore without obtaining prior approval of Parliament.

Table 3.4: Augmentation of provision to object heads without prior approval of Parliament

(₹ in crore)

Sl. No.	Head of Account	BE*	NE*	SA*	SA under NE*	TA*	TE*	Excess over TA
Object Head 31-'Grants-in-aid-General'								
Grant No. 14-Department of Telecommunications								
1.	3275.00.800.15.00.31 Centre for Development of Telematics	52.00	-	-	-	52.00	78.70	26.70
The reply was awaited (December 2018).								
Grant No. 19-Ministry of Defence (Misc.)								
2.	2052.00.092.02.01.31 (094/29, 094/32-34) Defence Accounts Department (DAD)- Establishment	0.03	-	-	-	0.03	0.05	0.02

Sl. No.	Head of Account	BE*	NE*	SA*	SA under NE*	TA*	TE*	Excess over TA
3.	2052.00.092.03.96.31 (094/54) Defence Estate Organisation (DEO)- Swachhta Action Plan	-	-	5.00	-	5.00	12.03	7.03
4.	3054.02.800.01.00.31 (066/07) Bhutan Compensatory Allowance	30.00	-	-	-	30.00	30.01	0.01

The CGDA stated (September 2018) that under head-2052.00.092.02.01.31- there was total authorisation of ₹ 0.10 crore instead of ₹ 0.0335 crore. Hence, there was saving of ₹ 0.0464 crore instead of excess of ₹ 0.0201 crore. Under Head 2052.00.092.03.96.31, the matter related to excess expenditure to the tune of ₹ 7.0316 crore was being taken up with the concerned Department. Under Head 3054.02.800.01.00.31, the excess amount was below one *per cent* of total provision.

The reply is not tenable as the total authorisation under head 2052.00.092.02.01.31 was only ₹ 0.0335 crore and ₹ 0.0665 crore was provided by way of re-appropriation, which was not approved by Parliament. As per extant instructions, any augmentation to object head '31-Grants-in-aid-General' should be done with prior approval of Parliament.

Grant No. 33-Department of Revenue

5.	2047.00.800.03.00.31 Grants to National Institute of Public Finance and Policy	1.86	-	-	-	1.86	1.92	0.06
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The Department stated (August 2018) that "the MoF OM dated 25 May 2006 provides that where a lump sum provision is made for providing grants-in-aid under a particular scheme, the details of the apportionment (10 *per cent* of lump sum or 1 crore, whichever is higher) should be reported to Parliament. In the case of lump sum provision of grants to States, the State wise distribution should be reported to Parliament.

In the instant case, the increase was only ₹ 6.00 lakh against a voted provision of ₹ 186.00 lakh provided as Grants-in-aid-General to National Institute of Public Finance and Policy and was well within the limit of 10 *per cent*. Hence, it was not required to be reported to Parliament".

The reply is not acceptable as the MoF had clarified (May 2012 and July 2015) that all cases of augmentation under the object head 'Grants-in-aid' through re-appropriation of savings within the same section of grant requires prior approval of Parliament through Supplementary Demands for Grants. In this case, prior approval of Parliament was not obtained.

Grant No. 44-Department of Heavy Industry

6.	2852.80.800.37.03.31 Development Automobile Industry- Development Council for Automobile and Allied Industry	17.50	-	4.18	-	21.68	24.10	2.42
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The Department stated (September 2018) that lump-sum provision was made under Development Council of Auto Mobile and Allied Industries (DCAAI) which is covered under Ministry of Finance OM dated 25 May 2006. Further, re-appropriation of ₹ 2.42 crore was not covered under NIS as it did not cover large expenditure arising out of important expansion of an existing activity.

The reply is not tenable as any augmentation under the object head 'Grants-in-aid' through re-appropriation of savings within the same section of grant requires prior approval of Parliament through Supplementary Demand for Grants.

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Sl. No.	Head of Account	BE*	NE*	SA*	SA under NE*	TA*	TE*	Excess over TA
Grant No. 48 –Police								
7.	2055.00.001.07.01.31 Bureau of Immigration	0.28	-	-	-	0.28	0.31	0.03
<p>The Department stated (August 2018) that the budget estimates for 2017-18 in respect of the above-mentioned case was retained at RE stage 2017-18. Neither demands for additional funds were received nor any additional funds were provided by the Ministry.</p> <p>The reply is not acceptable as specific approval for Grants-in-aid-General under 'Bureau of Immigration' was not obtained from Parliament.</p>								
Grant No. 74-Ministry of Power								
8.	2801.05.001.06.01.31 World Bank Grant for Power System Improvement Project for NER-Power System Improvement Project for NER	-	84.00	-	-	84.00	187.50	103.50
<p>The Ministry stated (August 2018) that the necessary approval for incurring the expenditure of ₹ 103.50 crore under Scheme for improvement of Power Systems in North Eastern Region was obtained from Parliament in 2nd Batch of Supplementary Demand for Grant for 2017-18 and the necessary approval for re-appropriation was granted by Ministry of Finance.</p> <p>The reply of the Ministry is not tenable as no such approval was obtained under the object head-'31' from Parliament during the Supplementary Demands for Grants for 2017-18.</p>								
Grant No. 90-Department of Empowerment of Persons with Disabilities								
9.	2235.02.789.01.03.31 National Institute for Disabled (SCSP Component)	0.50	-	-	-	0.50	1.30	0.80
10.	2235.02.796.03.04.31 National Institute for Disabled (TSP Component)	0.50	-	-	-	0.50	0.80	0.30
<p>The Department stated (October 2018) that as funds were allocated in BE under SCSP and TSP component of the scheme, token amount of ₹ one lakh was neither sought nor credited in any of the components of the scheme.</p> <p>The reply is not acceptable as specific approval for 'Grants-in-aid-General' under SCSP and TSP components of 'National Institute for Disabled' was not obtained from Parliament.</p>								
Grant No.20-Defence Services (Revenue)								
11.	2076.00.800-Army (Code Head 577/02)	21.69	-	-	-	21.69	23.61	1.92
12.	2078.00.800-Air Force (Code Head 791/00)	2.03	-	-	-	2.03	3.03	1.00
2080.00.004-Research/ Research Development								
13.	Extramural Research & Intellectual Property Rights (Code Head 852/07)	52.54	-	-	-	52.54	170.86	118.32

Sl. No.	Head of Account	BE*	NE*	SA*	SA under NE*	TA*	TE*	Excess over TA
14.	Aeronautical Research & Development Board (Code Head 852/02)	2.46	-	-	-	2.46	15.56	13.10
15.	Armament Research & Development Board (ARMREB) (Code Head 852/04)	4.00	-	-	-	4.00	4.49	0.49
16.	Life Science Research Board (LSRB) (Code Head 852/05)	0.05	-	-	-	0.05	5.63	5.58
17.	Naval Research & Development Board (NRB) (Code Head 852/03)	0.65	-	-	-	0.65	8.01	7.36
Object Head 35-'Grants for creation of Capital Assets'								
Grant No. 19-Ministry of Defence (Misc.)								
18.	2052.00.092.03.01.35 (Code Head 094/89) Defence Estate Organisation (DEO)-Establishment	25.62	-	36.82	-	62.44	63.44	1.00
Grant No. 48- Police								
19.	2055.00.115.08.00.35 Assistance to State Police Organisation in kind	77.00	-	-	-	77.00	80.45	3.45
<p>It was stated (August 2018) that the budget estimates for 2017-18 in respect of the above-mentioned case was retained at RE stage 2017-18. Neither demands for additional funds were received nor were any additional funds provided by the Ministry.</p> <p>The reply is not acceptable. The Department should have obtained specific approval for the said scheme and object head from Parliament in the Supplementary Demands for Grant and issued a re-appropriation order to augment the provision under the said head of accounts before incurring any additional expenditure.</p>								
Grant No. 90 - Department of Empowerment of Persons with Disabilities								
20.	2235.02.789.01.03.35 National Institute for Disabled (SCSP Component)	0.50	-	-	-	0.50	4.35	3.85
21.	2235.02.796.03.04.35 National Institute for Disabled (TSP Component)	3.54	-	-	-	3.54	7.17	3.63
<p>The Department stated (October 2018) that as funds were allocated in BE under SCSP and TSP component of the scheme, token amount of ₹ one lakh was neither sought nor credited in any of the components of the scheme.</p> <p>The reply is not tenable as specific approval for 'Grants for creation of Capital Assets' under SCSP and TSP components of 'National Institute for Disabled' was not obtained from Parliament.</p>								

Sl. No.	Head of Account	BE*	NE*	SA*	SA under NE*	TA*	TE*	Excess over TA
Grant No. 92-Ministry of Statistics and Programme Implementation								
22.	3454.02.202.02.00.35 R.C Bose Centre for Cryptology and Security	20.00	-	-	-	20.00	24.50	4.50
Grant No. 94-Ministry of Textiles								
23.	2851.00.108.17.06.35 Development of Woollen Textiles – Integrated Wool Development Programme	0.00	-	3.41	-	3.41	5.00	1.59
The reply was awaited (December 2018).								
Grant No. 95-Ministry of Tourism								
24.	3452.01.101.11.00.35 Assistance to Central Agencies for Tourism Infrastructure Development	55.00	-	-	-	55.00	57.98	2.98
<p>The Ministry stated (August 2018) that the amount of ₹ 2.98 crore was re-appropriated from the Scheme- Assistance to Large Revenue Generating Projects (LRGP) (3452.01.102.06.00.35) to the Scheme- Assistance to Central Agencies (3452.01.101.11.00.35). The re-appropriation was done in accordance with the MoF OM No. 3/15/2015-FRBM dated 20 February 2016 which provides that 'Re-appropriation would be allowed within the object head only'.</p> <p>As the re-appropriation was done within the same section of Grant to the same object head, it stands as per the guidelines issued by Ministry of Finance.</p> <p>The reply is not acceptable as augmentation of provision to 'object head -35' attracts limitation of NS/NIS and hence prior approval of Parliament should have been obtained in terms of Ministry of Finance's O.M issued in May 2006 and May 2012.</p>								
Object Head-33-'Subsidies'								
Grant No.12- Department of Industrial Policy & Promotion								
25.	2885.02.101.15.03.33 Industrial Development of Backward and Remote Area- Central Interest Subsidy Scheme	0.01	-	-	-	0.01	129.16	129.15
26.	2885.02.101.15.04.33 Comprehensive Insurance Scheme	0.01	-	-	-	0.01	6.23	6.22
27.	2885.02.101.15.08.33 Capital Investment Subsidy	0.01	-	-	-	0.01	647.59	647.58
28.	2885.02.101.15.02.33 Freight Subsidy	0.01	-	-	-	0.01	15.45	15.44
<p>The Department stated (September 2018) that Central Interest Subsidy Scheme (Gen.), Comprehensive Insurance Scheme (Gen.) and Capital Investment Subsidy are the bifurcation of functional head of the same scheme to book the expenditure as no expenditure can be booked directly in NER heads.</p> <p>It also stated that Transport Subsidy and Freight Subsidy are the bifurcation of Transport Subsidy scheme. Transport Subsidy (Gen.) is the functional head of same scheme to book the expenditure as no expenditure can be booked directly in NER heads.</p>								

Sl. No.	Head of Account	BE*	NE*	SA*	SA under NE*	TA*	TE*	Excess over TA
The reply is not tenable. Para 7.3 of the Budget Circular 2017-18 stipulates that budget provisions towards projects/scheme for development of North Eastern Region and Sikkim have, hitherto, been provided as 'lump sum' under the Major Head 2552 - 'North Eastern Region' for eventual re-appropriation to appropriate functional heads of expenditure. However, such lump sum provision should be disintegrated upto object-head level, corresponding to different functional major/sub-major/minor heads, indicating the details, in the Detailed Demands for Grants and provided for under the Major Head '2552-North Eastern Region' for eventual re-appropriation. In the instant case, the extant provisions were not adhered to.								
Major Works								
Grant No. 21- Capital Outlay on Defence Services								
29.	4076.01.202-Construction Works	4,712.27	-	100.00	-	4,812.27	4,861.04	48.77
The reply was awaited (December 2018).								

* BE= Budget Estimates, NE= Provision for development of North Eastern Region under MH 2552/4552/6552, SA= authorisation/approval of Parliament obtained through Supplementary Demand for grants, TA = Total authorisation, TE= Total expenditure (as per classified abstract)

3.8 Incorrect budgeting and violation of DFPRs

Rule 8 of the Delegation of Financial Powers Rules, 1978 (DFPRs), categorizes the object class six for acquisition of Capital Assets and other Capital Expenditure, wherein the object heads viz., 51 to 56 and 60 are grouped. These object heads pertain to booking of expenditure of capital nature and therefore should correspond with capital major heads only. All other object heads falling in other than class six are revenue in nature. Accordingly, these object heads should ordinarily not correspond with the capital major heads.

In Grant No. 4 pertaining to Department of Atomic Energy, object head '27-Minor Works' was operated under Capital Major heads (4861-Capital Outlay on Atomic Energy Industries and 5401-Capital Outlay on Atomic Energy Research) and expenditure of ₹ 61.13 crore was budgeted and booked in violation of DFPRs.

Similarly, in five cases across four Grants (Department of Telecommunications, Ministry of Micro, Small and Medium Enterprises, Ministry of Shipping and Ministry of Youth Affairs and Sports) aggregating to ₹ 2.76 crore, object heads were used incorrectly. The Ministry/Department has assured corrective action, which will be watched in audit.

3.9 Misclassification between different sections of Grant

Two cases of misclassification in booking of expenditure between Revenue and Capital by Ministry of Defence and Department of Space were noted as detailed below:

- (a) The Border Roads Organisation (BRO) under the Ministry of Defence irregularly booked ₹ 2,145 crore incurred on road maintenance other than National Highways, Security cover and Air-lift charges in the Capital section instead of Revenue section, resulting in understatement of revenue expenditure.
- (b) Department of Space irregularly booked expenditure of ₹ 298 crore on mission consumables having more than one year life in the Revenue section instead of the Capital section, resulting in overstatement of revenue expenditure.

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

Ministry of Finance vide OM No. 6(1)/E.II-A/2010 dated 16 February 2010 reiterated its earlier instructions issued on 01 January 1956 and 11 September 1969 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 CAG.

Audit observed two instances where Ministry of Finance violated its own orders regarding prior approval of CAG before re-appropriation. Details are given below:

- (a) The total original provision as a whole under object head '41-Secret Service Expenditure' for Grant-48 pertaining to Police under the Ministry of Home Affairs for the year 2017-18 was ₹ 163.65 crore. Ministry of Home Affairs issued (04 January 2018) a re-appropriation order of ₹ 150 crore to increase the provision under the above object head with the approval of Ministry of Finance.
- (b) Similarly, the total original provision for Grant No. 47 pertaining to Cabinet under the Ministry of Home Affairs was only ₹ 5.00 crore. Ministry of Home Affairs issued (07 February 2018) a re-appropriation order of ₹ 1.25 crore to increase the provision under object head '41-Secret Service Expenditure' (Head of Accounts-2013.00.106.02.01.41) with the approval of Ministry of Finance.

In reply (November 2018) Ministry of Finance stated that it is the responsibility of the concerned department to get the approval of the CAG before re-appropriation. The reply is not acceptable, as it is the ultimate responsibility of Ministry of

Finance to ensure that the increase in secret service expenditure over budget provision is concurred with the prior approval of the CAG.

3.11 Incorrect booking of expenditure under Defence Pension

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. Audit however observed a peculiarity in the booking of transactions relating to Defence Pensions (Grant No. 22), where the Controller General of Defence Accounts initially booked expenditure relating to Army, Navy and Air Force pensions (₹ 2,660.18 crore, ₹ 128.40 crore and ₹ 211.42 crore respectively) and transferred the entire amount of ₹ 3,000.00 crore to the suspense head, resulting in nullifying the said expenditure on Defence Pensions.

The matter merits examination at the highest levels.

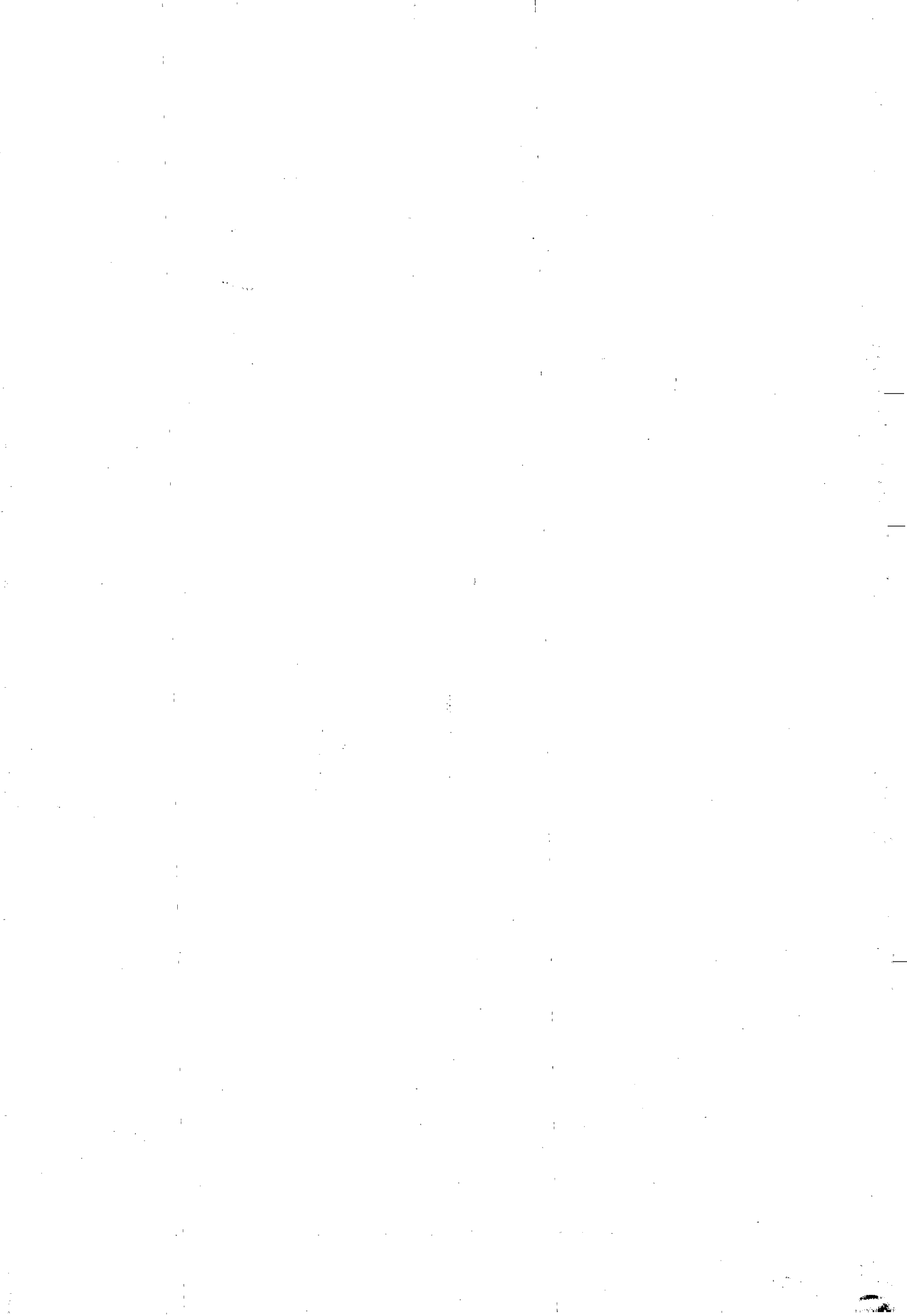
New Delhi
Dated: 31 January 2019


(MAMTA KUNDRA)
Additional Deputy Comptroller
and Auditor General
(Central Expenditure)

Countersigned

New Delhi
Dated: 01 February 2019


(RAJIV MEHRISHI)
Comptroller and Auditor General of India



ANNEXURE

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	12,23,845.33	2,57,068.41	14,80,913.74	13,22,124.11	(-)1,58,789.63
II. Capital (including Loans and Advances)	2,54,720.19	98,602.11	3,53,322.30	3,26,541.61	(-)26,780.69
Total	14,78,565.52	3,55,670.52	18,34,236.04	16,48,665.72	(-)1,85,570.32
Charged					
III. Revenue	6,46,357.47	6,122.99	6,52,480.46	6,41,217.01	(-)11,263.45
IV. Capital (including Loans and Advances and Public Debt)	51,04,195.53	6,95,312.65	57,99,508.18	58,90,670.47	(+)91,162.29
Total	57,50,553.00	7,01,435.64	64,51,988.64	65,31,887.48	(+)79,898.84
Grand Total	72,29,118.52	10,57,106.16	82,86,224.68	81,80,553.20	(-)1,05,671.48
Recoveries in reduction of expenditure			3,41,454.06	2,89,931.56	
Total Net Provision			79,44,770.62		
Total Net Expenditure				78,90,621.64	

B – Posts					
Voted					
I. Revenue	25,057.61	2,245.43	27,303.04	26,012.69	(-)1,290.35
II. Capital	495.00	324.15	819.15	763.28	(-)55.87
Total	25,552.61	2,569.58	28,122.19	26,775.97	(-)1,346.22
Charged					
III. Revenue	0.60	8.78	9.38	6.15	(-)3.23
IV. Capital	--	--	--	--	--
Total	0.60	8.78	9.38	6.15	(-)3.23
Grand Total	25,553.21	2,578.36	28,131.57	26,782.12	(-)1,349.45
Recoveries in reduction of expenditure			793.18	770.27	
Total Net Provision			27,338.39		
Total Net Expenditure				26,011.85	

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(₹ in crore)

Nature of Expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Disbursements	Savings (-) Excess(+)
C - Defence Services					
Voted					
I. Revenue	1,95,309.04	2,954.71	1,98,263.75	2,01,655.68	(+)3,391.93
II. Capital	86,339.95	0.01	86,339.96	89,892.68	(+)3,552.72
Total	2,81,648.99	2,954.72	2,84,603.71	2,91,548.36	(+)6,944.65
Charged					
III. Revenue	107.34	0.00	107.34	37.12	(-)70.22
IV. Capital	148.06	193.31	341.37	545.72	(+)204.35
Total	255.40	193.31	448.71	582.84	(+)134.13
Grand Total	2,81,904.39	3,148.03	2,85,052.42	2,92,131.20	(+)7,078.78
Recoveries in reduction of expenditure			16373.80	12984.36	
Total Net Provision			2,68,678.62		
Total Net Expenditure				2,79,146.84	

D - Railways					
Voted					
I. Revenue	2,36,461.18	418.30	2,36,879.48	2,28,933.97	(-)7,945.51
II. Capital	1,94,303.46	0.03	1,94,303.49	1,51,649.00	(-) 42,654.49
Total	4,30,764.64	418.33	4,31,182.97	3,80,582.97	(-) 50,600.00
Charged					
III. Revenue	158.23	250.70	408.93	380.18	(-)28.75
IV. Capital	38.00	613.71	651.71	604.46	(-)47.25
Total	196.23	864.41	1,060.64	984.64	(-)76.00
Grand Total	4,30,960.87	1,282.74	4,32,243.61	3,81,567.61	(-)50,676.00
Recoveries in reduction of expenditure			1,72,462.51	1,57,406.62	
Total Net Provision			2,59,781.10		
Total Net Expenditure				2,24,160.99	

		Total				
Total CFI	Voted	22,16,531.76	3,61,613.15	25,78,144.91	23,47,573.02	(-)2,30,571.89
	Charged	57,51,005.23	7,02,502.14	64,53,507.37	65,33,461.11	(+)79,953.74
Grand Total CFI		79,67,536.99	10,64,115.29	90,31,652.28	88,81,034.13	(-) 1,50,618.15
Total recoveries in reduction of expenditure				5,31,083.55	4,61,092.81	
Total provision and expenditure as per Appropriation Account				85,00,568.73	84,19,941.32	
Difference with the Finance Accounts					--	
Total disbursement from CFI as per Finance Accounts					84,19,941.32	

Note:

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

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 <i>vis-a-vis</i> 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.

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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.