

CHAPTER II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

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2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year, compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate the actual capital and revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Act in respect of both charged and voted items of budget. The Appropriation Accounts thus facilitate the management of finances and monitoring of budgetary provisions and are therefore, complementary to the Finance Accounts.

2.1.2 Audit of appropriations by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Acts and whether the expenditure required to be charged under the provisions of the Government of Union Territories Act, 1963 is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules and regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2011-12 against 38 grants/appropriations is given in **Table 2.1**.

Table 2.1: Summarised Position of Actual Expenditure vis-à-vis Original/Supplementary provisions

(₹ in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure ¹	Saving (-)/ Excess (+)
Voted	I Revenue	3,374.67	142.45	3,517.12	2,829.29	-687.83
	II Capital	894.36	1.17	895.53	391.62	-503.91
	III Loans and Advances	3.10	0.00	3.10	2.07	-1.03
Total Voted		4,272.13	143.62	4,415.75	3,222.98	-1,192.77
Charged	IV Revenue	402.30	3.11	405.41	405.13	-0.28
	V Capital	0.00	0.00	0.00	0.00	0.00
	VI Public Debt-Repayment	155.57	1.35	156.92	156.92	0.00
Total Charged		557.87	4.46	562.33	562.05	-0.28
Grand Total		4,830.00	148.08	4,978.08	3,785.03	-1,193.05

(Source: Appropriation Accounts and Budget documents)

The overall savings of ₹ 1,193.05 crore was the result of savings of ₹ 688.11 crore in 30 grants and four appropriations under the Revenue Section and ₹ 503.91 crore in 10 grants under the Capital Section and ₹ 1.03 crore in two grants and one appropriation under the Loan Section. The overall savings worked out to 23.97 per cent of the total provisions including the supplementary.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriations vis-à-vis Allocative Priorities

The outcome of appropriation audit revealed that savings of more than ₹ 10 crore in each case, amounting to ₹ 1,155.82 crore (96.88 per cent of total savings of ₹ 1,193.05 crore) occurred in 13 grants and the percentage of savings ranged between 7 and 77 as indicated in **Table 2.2**.

¹ Excludes recoveries shown as reduction of expenditure

Table 2.2: List of Grants with Savings of ₹ 10 crore and above

(₹ in crore)

Sl. No.	Name of the Grant	Original	Supple- mentary	Total	Actual Expenditure	Savings	Percentage
Revenue-Voted							
1.	8 - Transport	46.18	0.00	46.18	25.29	20.89	45.23
2.	9 - Secretariat	38.66	0.00	38.66	23.29	15.37	39.76
3.	10 - District Administration	378.37	0.00	378.37	163.55	214.82	56.77
4.	12 - Police	135.04	0.00	135.04	105.28	29.76	22.04
5.	17 - Education	574.48	0.00	574.48	492.03	82.45	14.35
6.	18 - Medical	380.72	0.00	380.72	310.04	70.68	18.57
7.	19 - Information and Publicity	95.02	0.00	95.02	22.46	72.56	76.37
8.	21 - Social Welfare	426.48	0.00	426.48	348.15	78.33	18.37
9.	24 - Agriculture	122.81	0.00	122.81	83.18	39.63	32.27
10	25 - Animal Husbandry	39.69	0.00	39.69	26.41	13.28	33.45
11.	29 - Electricity	276.15	0.00	276.15	255.90	20.25	7.33
Total		2,513.60	0.00	2,513.60	1,855.58	658.02	26.18
Capital-Voted							
12.	16 - Public Works	567.19	0.00	567.19	224.80	342.39	60.37
13.	29 - Electricity	136.07	0.00	136.07	57.25	78.82	57.93
14.	32 - Building Programmes	139.43	0.00	139.43	62.84	76.59	54.93
Total		842.69	0.00	842.69	344.89	497.80	59.07
Grand Total		3356.29	0.00	3,356.29	2,200.47	1,155.82	34.44

(Source: Appropriation Accounts)

It was noticed that in 256 cases, savings exceeded ₹ 50 lakh in each case and by more than 20 *per cent* of the total provision (**Appendix 2.1**). Further in respect of 119 out of the 256 cases, no expenditure was incurred against the provision of ₹ 775.79 crore. It was noticed that shortfall in availing of negotiated loans for funding the Plan schemes had mainly contributed to the savings.

2.3.2 Persistent savings

In 11 grants, during the last five years, there were persistent savings of more than ₹ 10 lakh as indicated in **Table 2.3**.

Table 2.3: List of Grants having Persistent Savings during 2007-12

(₹ in crore)

Sl. No.	Grant number and name of the Grant		Amount of Savings				
			2007-08	2008-09	2009-10	2010-11	2011-12
		Revenue – Voted					
1.	6	Revenue and Food	95.04	42.28	53.07	13.05	2.98
2.	9	Secretariat	9.00	0.13	15.72	41.15	15.37
3.	10	District Administration	2.34	31.75	125.48	212.31	214.82
4.	16	Public Works	0.62	0.35	6.22	1.13	2.73
5.	17	Education	2.54	5.00	6.67	1.88	82.45
6.	18	Medical	0.67	0.20	0.44	0.68	70.68
7.	19	Information and Publicity	0.48	0.51	58.45	46.82	72.56
8.	21	Social Welfare	1.94	131.53	146.23	130.57	78.34
9.	24	Agriculture	0.42	0.20	7.86	0.39	39.63
10.	26	Fisheries	0.43	0.17	3.04	1.52	0.22
11.	32	Building Programmes	2.15	3.34	3.70	2.12	9.15
		Total	115.63	215.46	426.88	451.62	588.93
		Capital – Voted					
12.	16	Public Works	279.97	88.36	190.82	169.20	342.39
13.	32	Building Programmes	3.40	61.09	99.51	89.89	76.59
		Total	283.37	149.45	290.33	259.09	418.98

(Source: Appropriation Accounts)

The pattern of funding for the approved Plan size of ₹ 2,750 crore for the Annual Plan 2011-12 comprised negotiated loans of ₹ 325 crore. However, during 2011-12, the UT Government could avail loans for ₹ 170 crore only from HUDCO/NABARD/Power Finance Corporation. GOI had notified in May 2006 that for availing loans, the consolidated debt of UT Government should be below 20 per cent of GSDP. As the consolidated debt of UT Government was more than 20 per cent (39.23 per cent) of the GSDP², approval of GOI had to be obtained before availing any such loans. However, provisions were made in the budget for various schemes anticipating availing of the proposed negotiated loans in full, without getting approval of GOI in time and as a result, loans could not be availed as proposed and the plan outlay was downsized as listed in the **Table 2.4**.

Table 2.4 : Details of Negotiated loan availed during 2008-12

(₹ in crore)

Year	Budget estimate	Revised Estimate	Loan availed
2008-09	693.79	663.29	--
2009-10	321.50	206.28	49.43
2010-11	400.00	285.00	76.65
2011-12	325.00	170.00	170.00

(Source: Draft Annual Plan 2012-13 and Budget documents)

² GSDP of 2010-11 (₹ 12,929 crore)

Due to short availing of the negotiated loans, huge savings occurred in the budget provisions originally made and consequently various Plan schemes proposed could not be implemented.

During 2011-12, Plan schemes under the sectors - Urban Development, Housing and Slum Development Programme, Water Supply and Sanitation, Roads and Bridges etc. (Grant 10), creation of infrastructure (Grant 16), various information/tourism promotional activities (Grant 19), Construction of houses for Scheduled Caste people (Grant 21), creation of infrastructural facilities for marketing, farm mechanisation and minor irrigation (Grant 24), setting up of power sub-stations and erection of transmission lines (Grant 29) and creation of infrastructural facilities (Grant 32) could not be implemented or partly implemented due to shortfalls in availing of the negotiated loans.

2.3.3 Excess expenditure

In 55 sub-heads, expenditure aggregating ₹ 426.83 crore exceeded the approved provisions by ₹ 50 lakh or more in each case and by more than 20 per cent of the total provision resulting in excess expenditure of ₹ 240.13 crore (**Appendix 2.2**).

2.3.4 Excessive supplementary provision

Supplementary provisions aggregating ₹ 14.82 crore obtained in two cases proved excessive as the savings in both the cases exceeded ₹ 50 lakh as detailed in **Appendix 2.3**.

2.3.5 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. It was noticed that during 2011-12 re-appropriation order was issued on 31 March 2012 for ₹ 93.38 crore. Issue of re-appropriation order on the last day of the financial year dilutes the process of budgeting and expenditure control. Further it also indicates that re-appropriation order was issued *ex post facto* to cover the expenses already incurred during the year without necessary provisions in the respective heads. As a result, in 11 cases where there was no provision, expenditure of ₹ 0.80 crore was incurred towards payment of electricity arrears, creation of Information and Communication Technology infrastructure at rural local bodies, pilot project of establishment of agriculture clinics/self employment enterprises by agri technologists and construction activity etc. Further, the re-appropriations made were proved unnecessary or excessive in 38 sub-heads, which resulted in savings of over ₹ 134.90 crore as detailed in **Appendix 2.4**. Out of this, in respect of eight cases, no expenditure was incurred resulting in saving of ₹ 2.79 crore.

2.3.6 Substantial surrenders

Substantial surrenders (cases where more than 50 per cent of the total provision was surrendered and was more than ₹ 10 lakh) were made in 151 sub-heads on account of either non-implementation or slow implementation of the schemes/programmes (**Appendix 2.5**). Out of the total provision amounting to ₹ 1030.77 crore in these 151 sub-heads, ₹ 923.65 crore (89.61 per cent) were surrendered, which included cent per cent surrender under 78 sub-heads (₹ 500.26 crore), mainly due to shortfall in obtaining the negotiated loans for funding the Plan schemes.

2.3.7 Anticipated savings not surrendered

As per Rule 56 (2) of the General Financial Rules, spending departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. During 2011-12, no part of the savings occurred in three grants (₹ three crore) were surrendered by the departments concerned. The details are given in **Appendix 2.6**. Similarly, out of the total savings of ₹ 889.25 crore under seven grants/appropriations (savings of ₹ one crore and above), ₹ 92.95 crore (10.45 per cent of total savings) were not surrendered, details of which are given in **Appendix 2.7**. This indicated inadequate financial control and non-utilisation of funds for other development purposes, since the surrenders were made on the last day of the financial year.

2.3.8 Rush of expenditure

According to Rule 56 (3) of the General Financial Rules, rush of expenditure, particularly in the closing months of the financial year, should be avoided. Contrary to this, in respect of 22 subheads listed in **Appendix 2.8**, expenditure exceeding ₹ 10 lakh and by more than 50 per cent of the total expenditure for the year was incurred in March 2012. Uniform flow of expenditure, which is a primary requirement of budgetary control mechanism and sound financial management, was not maintained. Appropriate action needs to be taken to regulate and systematise the procedure to avoid heavy expenditure in the closing month of the financial year.

2.3.9 Expenditure on Centrally sponsored schemes

Though the UT Government had an unspent balance of ₹ 49.96 crore under Centrally Sponsored Schemes (CSS) at the beginning of the year and ₹ 96.01 crore was received from GOI during the year, only ₹ 79.26 crore was provided in the budget for CSS during 2011-12. Taking into account the amount of ₹ 22.13 crore provided by re-appropriation in March 2012, the total provision stood at ₹ 101.39 crore for 113 CSS schemes. Out of this, in respect of 70 CSS schemes which had a provision of ₹ 73.60 crore, ₹ 55.90 crore (75.95 per cent) was spent. It was noticed that the expenditure was less than 50 per cent of the provisions in respect of seven schemes and no

expenditure was incurred in respect of 43 schemes, which had provisions amounting to ₹ 27.79 crore. Provision of funds through re-appropriation at the fag end of the financial year, despite availability of funds at the budget/supplementary stages, had led to non-implementation of schemes resulting in savings.

2.4 Comments on budgetary control

A review of the budgetary procedure and control of expenditure followed in five demands³ for grants revealed the following failures:

2.4.1 Under the Grant 6 – Revenue and Food, an amount of ₹ one crore was allocated by re-appropriation to Public Works Department (PWD) to carry out relief works on account of ‘Thane’ Cyclone, which occurred on 30 December 2011. As the allocation was communicated at the fag end of the financial year (27 February 2012) and many of the relief works had been completed and paid for, PWD could not utilise the amount for any immediate relief work, which resulted in savings of the entire amount.

2.4.2 An amount of ₹ 25 lakh was provided in the Budget for Social Welfare Department during 2011-12 towards free supply of computers to the SC students studying in B.Tech/B.Sc Computer courses. However, the entire provision was withdrawn through re-appropriation as the scheme was not implemented. Scrutiny of the records revealed that the scheme guidelines/rules were approved by the UT Government only on 29 February 2012 and the scheme could not be implemented due to paucity of time. Thus, provision of funds without framing and approval of the rules for the scheme resulted in re-appropriation of the funds denying the intended benefits to the SC students.

2.4.3 As per the instructions of Planning Commission, the posts created under plan schemes during a five year plan period have to be transferred to non-plan heads in the subsequent five year plan period. It was noticed that in the Education Department, 1691 posts created upto X five year plan period have not been transferred to non-plan heads till date. This not only resulted in inflation of the plan expenditure, but also in denial of fund allocation to various components of the plan schemes.

2.4.4 Based on the proposal (January 2012) of Superintendent of Police (Headquarters) to purchase a pilot vehicle for the Chief Minister’s convoy, Government sanctioned (February 2012) an amount of ₹ 7.23 lakh. Scrutiny of the records revealed that the vehicle was purchased and the expenditure was booked under the head ‘office expenses’ instead of ‘Motor Vehicles’. When this was pointed out, the SP replied that as the provision under ‘Motor

³ Revenue and Food, Police, Public Works, Education and Social Welfare

vehicles' had been exhausted, it was proposed to purchase the vehicle under 'Office expenses'. The reply is not tenable as such booking of an expenditure of capital nature under office expenses had resulted in incorrect accounting.

2.4.5 PWD incurred an expenditure of ₹ 15.76 crore in the heads '2215-01-789-01-Panchayat Rural Water Supply Scheme' and '3054-04-789-01-Grant for Panchayat rural roads and local development works' under the Special Component Plan (SCP) during 2011-12. Scrutiny of the records revealed that out of ₹ 15.76 crore, PWD had spent only ₹ 1.56 crore towards works expenditure and incurred the balance amount of ₹ 14.20 crore for settlement of electricity dues of its offices, though it operated a separate head '2215-01-102-03-Maintenance of water works proper' (Non-plan) to incur expenditure towards electricity charges.

To a specific Audit query, the Department replied that expenditure was incurred under the above heads to achieve the expenditure target of 16 *per cent* to be met under SCP for SC people, as it was difficult to identify specific schemes/expenditure for them and there was no provision of sufficient funds under the non-plan head. This reply is not tenable as it defeats the very objective of spending funds exclusively earmarked for the development/creation of infrastructure for the benefit of SC people. Further, the department's action in booking the expenditure under SCP, when there was separate head to incur electricity charges amounts to wrong classification of expenditure and paints a wrong picture of achievement under SCP.

2.4.6 An amount of ₹ 4.50 crore was provided to the Social Welfare Department towards free distribution of cycles to all Class IX students in the UT. However, this allocation was revised to ₹ 0.40 lakh in the Revised Estimate. Without taking into account the reduction of allocation, the Department proposed to purchase (February 2012) 19,363 bicycles and the UT Government also accorded expenditure sanction for ₹ 5.62 crore in March 2012 without ensuring availability of budgetary provision. When the bill was presented for drawal of funds, the Directorate of Accounts and Treasuries returned the bill citing non-availability of funds. As a result, the payment could not be made within the financial year. When pointed out, the Department replied that payment was made out of the funds provided in vote on account for the year 2012-13. Thus failure to make use of the provision and making payment in the next financial year indicates poor budget and expenditure control.

2.5 Conclusion and Recommendations

During 2011-12, expenditure of ₹ 3,785.03 crore was incurred against total grants and appropriations of ₹ 4,978.08 crore, resulting in overall savings of ₹ 1,193.05 crore (23.97 *per cent*). In 119 cases, no expenditure was incurred

against the provision of ₹ 775.79 crore. There were persistent savings of more than ₹ 10 lakh in 11 grants during 2007-12. Savings of ₹ three crore occurred in three grants were not at all surrendered and out of the total anticipated savings of ₹ 889.25 crore in seven grants, ₹ 92.95 crore was not surrendered. In 55 cases, the expenditure exceeded the approved provisions, resulting in excess expenditure of ₹ 240.13 crore. Provision of funds for free supply of computers to the SC students were made without ensuring the feasibility of spending and funds meant for creation of infrastructure for the scheduled caste people were used for payment of electricity charges of PWD offices.

Budgetary controls need to be strengthened to avoid large scale savings of funds, incurring expenditure in excess of the provisions and in the absence of provisions and to avoid diversion of funds for purposes other than for which they were allocated.