

Chapter - 2

2 Financial Management and Budgetary Control

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 Act. These Accounts list the original budget estimates, supplementary grants, surrender and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services vis-à-vis those authorized by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provisions and are, therefore, complementary to Finance Accounts.

2.1.2 Audit of Appropriation Accounts 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 Act. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions. This chapter contains audit observations in respect of the Appropriation Accounts prepared by the Controller of Accounts, Government of NCT of Delhi for the year 2014-15.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2014-15 against 13 grants/appropriations is as given in the **Table 2.1** indicated below:

Table 2.1
**Summarized position of actual expenditure vis-à-vis original/
supplementary provisions**

| (₹ in crore) | | | | | | |
|---|-----------------------|----------------------------------|--|-----------------|-----------------------|-------------------------|
| | Nature of expenditure | Original grant/ appropriation | Supplementary Grant/ appropriation | Total | Actual expenditure | Saving(-)/ Excess(+) |
| Voted | Revenue | 24087.47 | 345.16 | 24432.63 | 20653.76 | (-) 3778.87 |
| | Capital | 5465.23 | 0.76 | 5465.99 | 4406.28 | (-) 1059.71 |
| | Loans and Advances | 2083.13 | 5.03 | 2088.16 | 1679.94 | (-) 408.22 |
| Total Voted | | 31635.83 | 350.95 | 31986.78 | 26739.98 | (-) 5246.80 |
| Charged | Revenue | 3453.41 | 0.89 | 3454.30 | 2937.44 | (-) 516.86 |
| | Capital | 0.03 | 0.13 | 0.16 | 0.00 | (-) 0.16 |
| | Loans and Advances | 1676.73 | 0.02 | 1676.75 | 1346.72 | (-) 330.03 |
| Total Charged | | 5130.17 | 1.04 | 5131.21 | 4284.16 | (-) 847.05 |
| Appropriation to Contingency Fund (if any) | | Nil | Nil | Nil | Nil | Nil |
| Grand Total | | 36766.00 | 351.99 | 37117.99 | 31024.14 | (-) 6093.85 |

During 2014-15, expenditure of ₹ 31,024.14 crore was incurred against total grants and appropriation of ₹ 37,117.99 crore resulting in a saving of ₹ 6,093.85 crore. The overall saving of ₹ 6,093.85 crore was a result of saving of ₹ 4,295.73 crore in 13 grants and one appropriation (Public Debt) under Revenue Section and ₹ 1,798.12 crore under Capital and Loans and Advances Sections.

2.3 Financial accountability and budget management

2.3.1 Appropriation vis-a-vis allocative priorities

Appropriation accounts for the year 2014-15 showed that savings exceeding ₹ 50 crore in each case occurred in 24 cases relating to six grants and one appropriation totaling ₹ 2,743.11 crore (**Appendix 2.1**).

Amongst the many reasons for savings were Modified Assured Career Progression (MACP) cases not finalised, non-filling up of vacant posts, less sale, purchase of property resulting in less transfer of duty payment, approval of competent authority not received etc.

2.3.2 Persistent savings

Scrutiny of Appropriation Accounts for the years 2010-11 to 2014-15 showed that there were persistent savings of more than ₹ 1.00 crore or more than 20 per cent in six cases of the total grants indicating unrealistic budgeting, deficient financial provisions and slackness on the part of the departments in implementing the schemes as detailed in **Table 2.2**:

Table 2.2
List of grants indicating persistent savings during 2010-15

(₹ in crore)

| Sl. No. | Head No. and Name of the grant | | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | Reasons* |
|---|--|---|---------|---------|---------|---------|---------|---|
| REVENUE-VOTED | | | | | | | | |
| GRANT NO. 3: ADMINISTRATION OF JUSTICE | | | | | | | | |
| 1. | 2014 B.1(2)(1)- Judicial Magistrate's Courts | T | 25.69 | 31.67 | 34.59 | 39.62 | 47.77 | Savings were mainly due to non-finalisation of purchase proposals in time, receipt of less claims/bills, procurement of less store items, non-filling up of vacant posts, non-payment of arrears of pay & allowances etc. |
| | | S | 6.50 | 8.69 | 5.00 | 6.04 | 8.05 | |
| | | % | 25.30 | 27.43 | 14.46 | 15.24 | 16.85 | |
| GRANT NO. 5: HOME | | | | | | | | |
| 1. | 2055 D.1(1)(1)- Forensic Science Laboratory | T | 12.11 | 16.52 | 16.67 | 19.25 | 47.81 | Savings were mainly due to non-filling up of vacant posts, receipt of less claims, purchase of less store items, non-finalisation of |
| | | S | 2.85 | 6.49 | 4.89 | 3.41 | 28.57 | |
| | | % | 23.53 | 39.28 | 29.33 | 17.71 | 59.76 | |

* Reasons as reported by the Govt. in the Appropriation Accounts

| | | | | | | | | |
|---|---|---|--------|--------|--------|--------|--------|--|
| | | | | | | | | purchase proposals less tours, economy measures etc.. |
| GRANT NO. 7: MEDICAL AND PUBLIC HEALTH | | | | | | | | |
| 1. | 2211 K 1 (3)(1)-Urban Family Welfare Centre (CSS) | T | 10.00 | 10.00 | 4.50 | 4.90 | 10.67 | Savings were mainly due to either non-receipt of funds from GOI or non-receipt of concurrence/approval of the competent authority for releasing of salary of Directorate of Family Welfare and grants to MCD and NGOs. |
| | | S | 2.04 | 7.45 | 1.93 | 3.50 | 9.21 | |
| | | % | 20.40 | 74.50 | 42.89 | 71.43 | 86.32 | |
| GRANT NO.11: URBAN DEVELOPMENT AND PUBLIC WORKS DEPARTMENT | | | | | | | | |
| 1. | 2217 A.8(2)(1)(26)-Grant-in-aid for municipal reforms | T | 207.45 | 300.93 | 339.87 | 325.16 | 157.12 | Savings were mainly due to either non/less release of grant to MCD under the scheme or non-performance by municipalities and bifurcation of grant or Approval of the Competent Authority not received on time. |
| | | S | 64.45 | 300.93 | 189.87 | 325.16 | 157.12 | |
| | | % | 31.06 | 100.00 | 55.86 | 100.00 | 100.00 | |
| CAPITAL-VOTED | | | | | | | | |
| GRANT NO.8: SOCIAL WELFARE | | | | | | | | |
| 1. | 5055 DD.1(3)(1)-Introduction of Electronic Trolley Buses-Alternative mode of Transport | T | 10.00 | 250.00 | 10.00 | 100.00 | 3.00 | Saving was mainly due to non-implementation of schemes. |
| | | S | 10.00 | 240.75 | 8.39 | 97.21 | 3.00 | |
| | | % | 100.00 | 96.30 | 83.90 | 97.21 | 100.00 | |
| GRANT NO.11: URBAN DEVELOPMENT AND PUBLIC WORKS DEPARTMENT | | | | | | | | |
| 1. | 4202 BB.4(1)(4)(2)-Construction of Delhi Govt. sponsored College Buildings | T | 40.00 | 35.00 | 50.00 | 80.00 | 105.00 | Saving was mainly due to slow progress of work owing to non-receipt of sanctions in time. |
| | | S | 8.16 | 23.32 | 19.54 | 20.18 | 17.17 | |
| | | % | 20.40 | 66.62 | 39.08 | 25.23 | 16.35 | |

T - Total Provision (Original +Supplementary + Re-appropriation), S - Savings, % - Percentage.

The above table shows that there were persistent savings under six sub heads of five Grants namely Administration of Justice, Urban Development and Public Works Department, Social Welfare, Home and Medical and Public Health. The entire provision remained unutilized under Grants-in-aid for municipal reforms during the years 2011-12, 2013-14 and 2014-15 and under Introduction of Electronic Trolley Buses-Alternative Transport during the years 2010-11 and 2014-15.

The above cases are indicative of over estimation of fund requirement and failure of the department to take effective remedial measures to avoid persistent savings as well as non-implementation of plans.

2.3.3 Savings of entire provision

In 73 sub-heads of eight Grants and one appropriation (₹ one crore or above in each case), the entire provision remained unutilised by the departments or was remitted back to Government before the closure of the financial year 2014-15. The details of sub-heads are given in **Appendix 2.2**. Savings of the entire provision was indicative of the fact that the estimates were not prepared after adequate scrutiny of the projects/schemes. Major schemes which failed to take off or suffered due to non-utilisation of entire provision were -Grant to DSIIDC for construction of houses for weaker section (JNNURM) (₹ 130 crore), Grants in aid to East Delhi Municipal Corporation for JNNURM (₹ 30 crore), Loan to Indraprastha Institute of Information Technology, Delhi (₹ 70 crore), Equity Capital to Delhi Transport Corporation for purchase of buses (₹ 69.82 crore), Loan to MRTS for reimbursement of Central Taxes (₹ 348 crore), Loan to DJB for Chandrawal WTP (₹ 30 crore), Equity Contribution to JVC Power Plant at Jhajjar, Haryana (₹ 72.60 crore) and Loan to cover gap in resources (₹ 330 crore).

2.3.4 Excess expenditure over provisions during previous years requiring regularisation

Article 205 of the Constitution of India, provides that if any money has been spent for any service during a financial year in excess of the amount granted for that service for that year, the excess expenditure should be regularised by the State Legislative Assembly. Although no time limit for regularisation of expenditure has been prescribed under the Article, as a practice the excess expenditure is required to be regularised after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to ₹ 79.99 crore for the period 2006-07 to 2013-14 was yet to be regularised. The year-wise amount of excess expenditure pending regularisation is summarised in **Table 2.3** given below:

Table 2.3

Excess expenditure over provision relating to previous years requiring regularisation
(₹ in crore)

| Year | Number of Grants | Amount of excess expenditure over provision |
|---------|------------------|---|
| 2006-07 | 7 (38 Sub-heads) | 9.12 |
| 2007-08 | 5 (30 Sub-heads) | 11.55 |
| 2008-09 | 5 (29 Sub-heads) | 17.35 |
| 2009-10 | 3 (3 Sub-heads) | 5.60 |
| 2010-11 | 2 (5 Sub-heads) | 3.98 |
| 2012-13 | 1 (11 Sub-heads) | 27.22 |
| 2013-14 | 6 (18 sub heads) | 5.17 |
| | Total | 79.99 |

2.3.5 Excess expenditure over provisions during 2014-15 requiring regularisation.

It was observed from the head wise Appropriation Accounts for the year 2014-15 that under 12 Sub-heads in two Grants, against a total provision of ₹126.33 crore, the actual expenditure was ₹ 129.84 crore, thereby resulting in excess expenditure of ₹ 3.51 crore, which was yet to be regularised (October 2015) (**Appendix 2.3**). Thus, an excess expenditure of ₹ 83.50 crore (2006-07 to 2014-15) required regularisation under Article 205 of the Constitution.

2.3.6 Unnecessary supplementary provision

While obtaining a supplementary grant, department has to keep in view the resources available or likely to be available during the year and exercise due caution while forecasting its additional budgetary requirement of funds. Supplementary demand should only be resorted to in exceptional and urgent cases.

Audit scrutiny of Appropriation Accounts for the year 2014-15 showed that supplementary grant amounting to ₹ 68.44 crore in two sub-heads was obtained in anticipation of higher/additional expenditure (**Appendix 2.4**). However, the final expenditure was less than even the original grant/appropriation. The main reasons for non-utilisation of supplementary grants were attributed to non-finalisation of tenders, non-receipt of approval of the competent authority, non-receipt of anticipated bills.

Thus, above cases showed deficient planning in budgeting.

2.3.7 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. Scrutiny of Appropriation Accounts and Re-appropriation orders for the year 2014-15 showed that under 93 sub-heads in nine Grants as detailed in **Appendix 2.5** re-appropriations were unnecessary as the departments were not able to even utilise fully their existing grants and there was a cumulative non-utilisation of ₹ 680.65 crore against the re-appropriation of ₹ 796.10 crore. The departments attributed the reasons for non-finalisation of tenders, non-receipt of approval of the competent authority, non-receipt of anticipated bills, purchase proposals not materialised, vacant posts, non-processing of bills due to the staff on election duty, receipt of less claims, code of conduct for assembly election. The following are the important observations:

- (i) Under Grant No.3- Administration of Justice- ₹ 17.18 crore were re-appropriated in anticipation of payment of arrears of pay and receipt of more claims/bills under sub-head Session Courts. However, there was saving of ₹ 86.67 crore due to non-finalisation of Tenders, non-receipt of approval of the competent authority and non-receipt of anticipated bills.

- (ii) Under Grant No. 4- Finance- ₹ 12.90 crore were re-appropriated due to renovation/ maintenance of building under sub-head Renovation/ Maintenance of Building, however, there was saving of ₹ 13.33 crore due to non-receipt of approval of the competent authority.
- (iii) Under Grant No.6- Education- ₹ 4.10 crore were re-appropriated due to good progress of work under sub-head Setting up of Ambedkar University, however there was saving of ₹ 8.67 crore due to non-initiation of scheme/work.
- (iv) Under Grant No.7- Medical and Public Health- ₹ 50.34 crore were re-appropriated in anticipation of receipts of funds from Government of India under sub-head Delhi Health Mission (CSS), however there was saving of ₹ 60.26 crore due to non-finalisation of proposals.
- (v) Under Grant No.8- Social Welfare- ₹ 6.99 crore were re-appropriated in anticipation of payment of arrears under sub-head Unemployment allowance to disabled persons, however there was saving of ₹ 13.32 crore due to withholding of payment for want of physical verification of beneficiaries.
- (vi) Under Grant No.9- Industries- ₹ 2.69 crore were re-appropriated due to receipts of funds from Government of India under the sub-head Promotion of Handloom for Deen Dayal Hatkargha Protsahan Yojna (CSS), however there was saving of ₹ 3.30 crore due to non-completion of process.
- (vii) Under Grant No.11- Urban Development and Public Works Department- ₹ 27.87 crore were re-appropriated due to subsidy to consumers through DISCOM for LED bulbs under the sub-head Subsidy to consumers through DISCOM for LED. However, there was saving of ₹ 27.88 crore due to decrease of LED bulb rates and competent authority implemented the scheme without subsidy.

The above excessive/unnecessary re-appropriation of funds points towards deficient budgeting exercise.

2.3.8 Substantial surrenders

Substantial surrenders involving ₹ 997.93 crore (more than ₹ one crore and 60 *per cent* of the original provision) were made in respect of 36 sub-heads (**Appendix 2.6**), out of which in 14 sub-heads 100 *per cent* grant amounting to ₹ 406.84 crore was surrendered on account of slow progress of schemes, non-filling of vacant posts, release of less grant/loan and non-implementation of schemes.

Substantial surrenders amounting to ₹ 45.00 crore, ₹ 120.84 crore and ₹ 296.67 crore were made under Grant No. 6: Education, Grant No. 7: Medical and Public Health and Grant No.11: Urban Development and Public Works Department under Sub-heads 6202BB.2(1)(1)(1)- Loan to Indraprastha Institute of Information Technology, Delhi, 2210A.1(4)(1)(1)(4)-Office expenses and 2215 A.6(2)(1)(5)(1)- Grants for creation of capital assets respectively. The surrenders were attributed to slow progress of works, release of less grant/loan and non-implementation of scheme etc.

2.3.9 Anticipated savings not surrendered

Rule 56 (2) of General Financial Rules (GFRs) stipulates that savings as well as provisions that cannot be profitably utilised should be surrendered to Government as soon as these are foreseen without waiting till the end of the year. The objective is to minimize the scope for avoiding surrenders at a later stage. At the close of the year 2014-15, there were five grants in which savings occurred but no part of which had been surrendered by the concerned department (**Appendix 2.7**).

Further, out of the savings of ₹ 5,598.47 crore under 10 grants and one appropriation where savings of ₹ one crore and above were indicated in each grant/appropriation, an amount of ₹ 3,320.93 crore (59.32 *per cent* of amount of savings) was not surrendered, details of which are given in **Appendix 2.8**.

2.3.10 Unrealistic budgeting

Rule 48 (2) of the GFRs lays down that Ministries/ Departments have to prepare their estimates keeping in view the trends of disbursements during the previous years and other relevant factors like economy instructions issued by the Ministry of Finance from time to time. Scrutiny of records for the year 2014-15 showed that provision under various sub-heads under Centrally Sponsored Schemes and Schedule Caste Sub-Plan (CSS and SCSP) scheme was made during the year but in 69 sub-heads in seven grants, the entire provisions of ₹ 265.82 crore (**Appendix 2.9**) remained unutilised, defeating the original purpose for which the budget provisions were passed by the Legislative Assembly indicating that the budget estimates were not prepared after adequate pre-budget scrutiny of projects and schemes. The main reasons for non-utilisation of funds were attributed to non implementation of scheme, non-receipt of funds from Government of India, release of less grants etc.

2.3.11 Rush of expenditure

Rule 56 of the General Financial Rules provides that rush of expenditure particularly in the closing months of the financial year is regarded as a breach of financial propriety and should be avoided. Contrary to this, expenditure incurred by the departments in the month of March 2015 and last quarter of the financial year 2014-15 under the 20 sub-heads ranged between 54 *per cent* and 100 *per cent* of the total expenditure as given in **Appendix 2.10**.

The Government stated (February 2016) that instructions are being issued to the departments to avoid rush of expenditure during the last quarter of the financial year and in the month of March.

2.4 Recoveries adjusted in accounts as reduction of expenditure

The demands for grants presented to the Legislature are for gross expenditure including credits and recoveries, which are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are shown separately in the Budget Estimates as 'Nil'. Actual recoveries during the year 2014-15 were ₹ 84.05 crore against 'nil' anticipated recoveries.

2.5 Other audit observations

(a) Scrutiny of re-appropriation orders for the year 2014-15 showed that all re-appropriation orders were issued by the Finance Department on the last working day of the financial year i.e. on 31 March 2015. Re-appropriation orders were issued apparently to cover the excess expenditure over budget provision.

The matter was referred to the Controller of Accounts (October 2015) who in turn referred the matter to Finance Department, their reply is awaited as of January 2016.

(b) As per Rule 8 of the Delegation of Financial Powers Rules 1978, object heads such as 51-Motor Vehicles, 52-Machinery and Equipment and 53-Major Works fall under Object Class-6 (Acquisition of Capital Assets and other capital expenditure). However, review of the detailed Demand for Grants for the year 2014-15 showed that in 69 cases (**Appendix 2.11**), an amount of ₹ 172.51 crore was incorrectly provisioned for revenue expenditure, instead of capital expenditure. Further, data of actual expenditure for the year 2014-15 made available by the Controller of Accounts, GNCTD showed that in the said 69 cases an aggregate expenditure of ₹ 86.64 crore was incurred.

Thus, during the financial year 2014-15 there was an overstatement of revenue expenditure by ₹ 86.64 crore and understatement of revenue surplus by an equivalent amount.

On being pointed out by Audit, the Controller of Accounts confirmed (October 2015) the above figures as correct and as per accounts.

2.6. Outcome of the Review of Grant No. 2- General Administration

A review of budgetary procedure and control over expenditure in respect of Grant No.2- General Administration Government of NCT of Delhi for the period 2012-2015 was conducted (November 2015) and important points noticed during the review are detailed below:

(i) The overall position of budget provision, expenditure incurred and saving under the grant for the last three years is given in **Table 2.4**:

Table: 2.4
Budget and expenditure

(₹ in crore)

| Year | Provision | | Expenditure incurred | | Savings | |
|--------------|---------------|------------|----------------------|------------|--------------|------------|
| | Revenue | Capital | Revenue | Capital | Revenue | Capital |
| 2012-13 | 114.88 | Nil | 96.46 | Nil | 18.42 | Nil |
| 2013-14 | 142.01 | Nil | 119.52 | Nil | 22.50 | Nil |
| 2014-15 | 150.51 | Nil | 104.66 | Nil | 45.85 | Nil |
| Total | 407.40 | Nil | 320.64 | Nil | 86.77 | Nil |

(ii) Rule 56 (2) of General Financial Rules (GFR) stipulates that savings as well as provisions that cannot be profitably utilized should be surrendered to Government as soon as these are foreseen without waiting till the end of the year. The objective is to minimize the scope for avoiding surrenders at a later stage. Out of the savings of ₹ 86.77 crore from 2012-13 to 2014-15, an amount of ₹ 69.36 crore

(79.94 per cent of amount of saving) was not surrendered as of March 2015, details of which are given in **Appendix 2.12**.

- (iii) While obtaining a supplementary grant, department has to keep in view the resources available or likely to be available during the year and should exercise due caution while forecasting its additional budgetary requirement of funds. Supplementary demand should only be resorted to in exceptional and urgent cases. Audit scrutiny of Appropriation Accounts for the year 2012-13 to 2014-15 showed that supplementary grant amounting to ₹ 14.72 crore in seven sub-heads was obtained in anticipation of additional expenditure but the final expenditure was less than the original grant in four cases due to less foreign tours (**Appendix 2.13**).
- (iv) There were persistent savings of more than ₹ one crore in 12 cases/sub-heads under the grant which indicated unrealistic budgeting, deficient financial management and slackness on the part of department in implementing the schemes.
- (v) Scrutiny of section-wise Appropriation accounts of the grant for the year 2012-13 to 2014-15 showed that in six cases persistent savings were between 14 to 31 per cent in revenue voted section and revenue charged savings were between 21 to 25 per cent of the total grant indicating unrealistic budgeting.
- (vi) The re-appropriation in six cases proved unnecessary as the departments were not able to utilise fully their original grant. As a result, there was a cumulative non-utilisation of ₹ 10.31 crore in these cases during 2012-15 against re-appropriation of ₹ 3.44 crore. The unnecessary re-appropriation of funds points towards deficient budgeting exercise.
- (vii) Rule 8 of Delegation of Financial Powers Rules for Lumpsum provision for object head 42 stipulates that Lumpsum provision will include expenditure in respect of schemes/sub-schemes/organizations where the provision does not exceed ₹ 10 lakh. In all other cases, break-up by other objects of expenditure must be given. However, scrutiny of Appropriation Accounts for the year 2012-15 showed that in nine cases the lumpsum provision exceeding ₹ 10 lakh was obtained without giving complete break up of expenditure which was incumbent under the existing rule.

The Government (February 2016) while accepting the audit observation has assured that necessary action would be taken to classify the expenditure by relevant objects of expenditure during the year 2016-17.

2.7 Conclusion

Against total provision of ₹ 37,117.99 crore during 2014-15, an expenditure of ₹ 31,024.14 crore was incurred which resulted in savings of ₹ 6,093.85 crore (16.42 per cent). An excess expenditure of ₹ 83.50 crore relating to the period

2006-07 to 2014-15 required regularisation under Article 205 of the Constitution.

Supplementary provision of ₹ 68.44 crore in two sub-heads was unnecessary and re-appropriation of funds in 93 cases where final savings were more than ₹ one crore was made injudiciously resulting in un-utilised/excessive provision of ₹ 680.65 crore. In 14 sub-heads of five grants, 100 *per cent* grant amounting to ₹ 406.84 crore was surrendered.

There were persistent savings of more than ₹ one crore in 12 cases/sub-heads during the year 2012-13 to 2014-15 under the Grant No. 2- General Administration.

2.8 Recommendations

The Government may consider:

- i. taking up the matter with Public Account Committee Secretariat for regularisation of excess expenditure.
- ii. preparing realistic budget estimates to avoid large savings and supplementary provisions.
- iii. devising suitable mechanism by Finance department to avoid rush of expenditure in last quarter/month of the financial year.