

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 are 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 2014-15 against 42 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 (+)	Amount surrendered	Amount surrendered on 31 March	Percentage of savings surrendered by 31 March
Voted	I Revenue	4,503.50	220.59	4,724.09	4,185.66	(-) 538.43	303.98	303.98	56.46
	II Capital	702.44	5.66	708.10	620.63	(-) 87.47	40.32	40.32	46.10
	III Loans and Advances	2.42	Nil	2.42	1.45	(-) 0.97	0.62	0.62	63.92
Total - Voted		5,208.36	226.25	5,434.61	4,807.74	(-) 626.87	344.92	344.92	55.02
Charged	IV Revenue	679.47	0.85	680.32	621.27	(-) 59.05	45.01	45.01	76.22
	V Capital	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	VI Public Debt-Repayment	212.17	2.83	215.00	183.38	(-) 31.62	Nil	Nil	Nil
Total - Charged		891.64	3.68	895.32	804.65	(-) 90.67	45.01	45.01	49.64
Grand Total		6,100.00	229.93	6,329.93	5,612.39	(-) 717.54	389.93	389.93	54.34

(Source: Appropriation Accounts and Budget documents for 2014-15)

The overall savings of ₹ 717.54 crore was result of savings of ₹ 597.48 crore in 30 grants and seven appropriations under Revenue Section, ₹ 87.47 crore in six grants under Capital Section and ₹ 32.59 crore in two grants and one appropriation under Loan Section. The overall savings worked out to 11.34 per cent of total provision including supplementary.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriations vis-à-vis Allocative Priorities

During 2014-15, savings of more than ₹ 10 crore occurred in each case (nine grants) under capital and revenue heads amounting to ₹ 574.63 crore (80.08 per cent of total savings of ₹ 717.54 crore). The percentage of savings ranged between 2 and 48 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	Supplementary	Total	Actual Expenditure	Savings	Percentage
Revenue-Voted							
1	06 - Revenue and Food	128.68	18.02	146.70	134.13	12.57	8.57
2	10 - District Administration	419.19	0.00	419.19	216.27	202.92	48.41
3	17 - Education	669.97	9.82	679.79	667.09	12.70	1.87
4	21 - Social Welfare	420.64	30.18	450.82	439.98	10.84	2.40
5	24 - Agriculture	134.34	0.00	134.34	89.01	45.33	33.74
6	27 - Community Development	40.91	0.00	40.91	21.51	19.40	47.43
7	29 - Electricity	1,161.99	0.00	1,161.99	972.01	189.98	16.35
	Total	2,975.72	58.02	3,033.74	2,540.00	493.74	16.28
Capital-Voted							
8	16 - Public Works	330.97	0.00	330.97	298.20	32.77	9.90
9	29 - Electricity	79.37	0.00	79.37	62.48	16.89	21.28
10	32 - Building Programmes	77.08	0.00	77.08	45.85	31.23	40.52
	Total	487.42	0.00	487.42	406.53	80.89	16.59
	Grand Total	3,463.14	58.02	3,521.16	2,946.53	574.63	16.32

(Source: Appropriation Accounts for 2014-15)

It was noticed that in 106 cases (sub-heads), 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 33 out of the 106 cases, no expenditure was incurred against the provision of ₹ 130.05 crore.

2.3.2 Persistent savings

In 10 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 2010-15

(₹ in crore)

Sl. No.	Number and name of the Grant		Amount of savings				
			2010-11	2011-12	2012-13	2013-14	2014-15
Revenue – Voted							
1.	06	Revenue and Food	13.05	2.98	847.80	2.98	12.57
2.	09	Secretariat	41.15	15.37	1.85	16.07	5.88
3.	10	District Administration	212.31	214.82	222.83	61.34	202.92
4.	16	Public Works	1.13	2.73	113.37	9.73	4.73
5.	17	Education	1.88	82.45	128.62	32.33	12.70
6.	18	Medical	0.68	70.68	126.73	1.91	2.05
7.	19	Information and Publicity	46.82	72.56	122.78	5.18	4.62
8.	21	Social Welfare	130.57	78.34	144.72	5.45	10.84
9.	24	Agriculture	0.39	39.63	50.94	12.06	45.33
10.	32	Building Programmes	2.12	9.15	22.21	0.78	4.92
Total			450.10	588.71	1,781.85	147.83	306.56
Capital – Voted							
11.	16	Public Works	169.20	342.39	62.27	64.10	32.77
12.	32	Building Programmes	89.89	76.59	70.19	38.67	31.23
Total			259.09	418.98	132.46	102.77	64.00

(Source: Appropriation Accounts of respective years)

2.3.3 Excess expenditure

In 42 sub-heads, expenditure aggregating ₹ 287.21 crore exceeded the original provision by ₹ 50 lakh or more in each case and by more than 20 per cent of the total provision resulting in excess expenditure of ₹ 150.91 crore (**Appendix 2.2**).

2.3.4 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings were anticipated, to another unit where additional funds are needed. It was noticed that during 2014-15, re-appropriation order was issued on 31 March 2015 for ₹ 306.09 crore. Issue of re-appropriation order at the fag end of financial year dilutes the process of budgeting and expenditure control. Further, it also indicated that re-appropriation orders were proposed *ex post facto* to cover the expenses already incurred during the year without necessary provision in the respective heads. As a result, in 15 cases where there was no provision, expenditure of ₹ 3.41 crore was incurred. Further, the re-appropriations made were proved unnecessary or excessive in 47 sub-heads as detailed in **Appendix 2.3**. Out of this, in respect of 15 cases, no expenditure was incurred resulting in saving of

₹ 10.92 crore. Apart from this, in respect of two sub-heads², an amount of ₹ 5.67 crore provided as supplementary provision towards ‘Capital outlay on Ports and Light Houses’ in Puducherry region and ‘Entertainment and Hospitality Expenses’ was unnecessary, as no expenditure was incurred and savings were more than the supplementary provision respectively.

2.3.5 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 33 sub-heads on account of either non-implementation or slow implementation of the schemes/programmes (**Appendix 2.4**). Out of the total provision of ₹ 276.63 crore in these 33 sub-heads, ₹ 222.68 crore (81 per cent) were surrendered and in respect of five sub-heads entire provision (₹ 4.10 crore) was surrendered.

2.3.6 Anticipated savings not surrendered

Out of total savings of ₹ 717.54 crore, an amount of ₹ 389.94 crore was surrendered on 31 March 2015. It was noticed that in respect of 10 grants/appropriations, which had a saving of ₹ 608.31 crore (saving of ₹ one crore and above), an amount of ₹ 234.77 crore (38.59 per cent) was not surrendered, details of which are given in **Appendix 2.5**. This indicated inadequate financial control and non-utilisation of funds for other development purposes, since surrenders were made on the last day of the financial year.

2.3.7 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 six sub-heads listed in **Appendix 2.6**, expenditure exceeding ₹ 10 lakh and by more than 50 per cent of the total expenditure for the year was incurred in March 2015. 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.

2.3.8 Expenditure on Centrally Sponsored Schemes

The total provision under Centrally Sponsored Schemes (CSS) after re-appropriation stood at ₹ 432.91 crore in 88 sub-heads. Out of this, in respect of 65 sub-heads which had a provision of ₹ 413.75 crore, ₹ 155.11 crore (37.49 per cent) alone was spent. It was noticed that the expenditure was less than 50 per cent of the provision in respect of 21 sub-heads, while no

² 5051.02.200.06 (₹ 498 lakh – Grant 30) and 2013.00.104.01 (₹ 69.40 lakh – Grant 3)

expenditure was incurred in respect of 23 sub-heads which had provision of ₹ 19.16 crore.

2.4 Comment on budgetary control

A review of the budgetary procedure and control of expenditure followed in Grant 6 – Revenue and Food revealed the following failures:

2.4.1 A sum of ₹ 6.01 lakh was provided by re-appropriation to Department of Revenue and Disaster Management towards settlement of pending bills and the total fund allocation under the relevant Head of Account (2029.00.101.02.03) stood at ₹ 10.66 lakh. Scrutiny of records revealed that fund was proposed to be utilised for purchase of a new vehicle at a cost of ₹ 6.50 lakh, instead of settlement of pending bills. The Finance Department, however, turned down the proposal, as the purchase price of the vehicle should be limited within ₹ 4.75 lakh as per the order of GoI. Thus, the action of the Department in obtaining funds for pending bills and proposing to purchase vehicle in violation of GoI order, resulted in savings of ₹ 6.54 lakh.

2.4.2 A sum of ₹ 15 lakh was provided towards Personal Accident Insurance Scheme for poor families in Yanam region and a sum of ₹ 14 lakh was re-appropriated to the same head taking the total provision under the Head of Account (2235.60.101.01.04) to ₹ 29 lakh. A bill was raised on 18 March 2015 for an amount of ₹ 27.30 lakh towards financial assistance to the families of 88 deaths (₹ 0.30 lakh each for 86 natural deaths and ₹ 0.75 lakh each for two unnatural deaths). However, the bill was returned by Directorate of Accounts and Treasuries as there was only an amount of ₹ 15 lakh under the Head of Account on the day of presentation of the bill (23 March 2015), as re-appropriation orders were issued only on 31 March 2015. Thus, delay in issuing re-appropriation orders resulted in savings of ₹ 29 lakh, besides delaying the assistance to the families of the deceased.

2.4.3 In lieu of free supply of 10 kg of single boiled rice to all the ration card holders of Puducherry and Karaikal regions, the UT Government decided (10 March 2015) to distribute cash of ₹ 300 each. An amount of ₹ 18.33 crore was sanctioned (March 2015) and Department of Civil Supplies was directed to deposit the amount for the months of February and March 2015 in the respective Aadhaar linked bank account of the beneficiaries.

The Department opened (March 2015) a bank account for this purpose and the sanctioned amount was deposited in it for eventual release to the beneficiaries. As of 31 March 2015, an amount of ₹ 12.15 crore was released to the beneficiaries and Department did not remit the remaining amount of ₹ 6.18 crore into Government Account at the end of the financial year and continued to incur expenditure out of it during the financial year 2015-16.

As per the provision under Rule 52 (2) of General Financial Rules, 2005, funds provided during the financial year and not utilised before the close of the year shall stand lapsed at the close of the financial year. The above scheme being continuing one, prudent action on the part of the Department was to remit the balance amount as on 31 March 2015 into Government Account and to incur expenditure from the month of April 2015 out of the budget allocation for the year 2015-16. Failure of the Department to do so, resulted in the amount of ₹ 6.18 crore remaining outside Government account thereby showing a reduced cash balance in the consolidated fund of UT Government at the end of the financial year 2014-15.

2.5 Conclusion and Recommendation

During 2014-15, expenditure of ₹ 5,612.39 crore was incurred against total grants and appropriations of ₹ 6,329.93 crore, resulting in overall savings of ₹ 717.54 crore (11.34 per cent). In 33 cases, no expenditure was incurred against the provision of ₹ 130.05 crore. There were persistent savings of more than ₹ 10 lakh in 10 grants during 2010-15. In 42 cases, the expenditure exceeded the approved provision, resulting in excess expenditure of ₹ 150.91 crore. Out of total anticipated savings of ₹ 608.31 crore in 10 grants, ₹ 234.77 crore was not surrendered.

Government may consider issuing instructions to all the Departments to ensure surrender of unutilised allocations as soon as they are foreseen so that the funds could be allocated to other Departments requiring funds.