

# **CHAPTER II**

## **FINANCIAL MANAGEMENT AND BUDGETARY CONTROL**



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### 2.1 Introduction

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. Audit of appropriations seeks to ascertain whether the expenditure actually incurred under various grants was 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, was so charged. It also ascertains whether the expenditure so incurred was in conformity with the law, relevant rules and regulations and instructions.

### 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2018-19 against 49 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 <sup>1</sup>	Saving (-)/ Excess (+)	Amount surrendered	Amount surrendered on 31 March 2019	Percentage of savings surrendered during the year
<b>Voted</b>	I Revenue	5,712.81	360.14	6,072.95	5,710.54	(-) 362.41	42.46	42.46	11.70
	II Capital	449.35	29.12	478.47	307.59	(-) 170.88	33.70	33.70	19.38
	III Loans and Advances	0.50	0.00	0.50	0.08	(-) 0.42	0.42	0.42	100.00
<b>Total - Voted</b>		<b>6,162.66</b>	<b>389.26</b>	<b>6,551.92</b>	<b>6,018.21</b>	<b>(-) 533.71</b>	<b>76.58</b>	<b>76.58</b>	<b>14.35</b>
<b>Charged</b>	IV Revenue	744.19	1.21	745.40	740.06	(-) 5.34	5.11	5.11	95.69
	V Capital	11.15	15.21	26.36	26.24	(-) 0.12	0.00	0.00	..
	VI Public Debt-Repayment	612.00	27.00	639.00	638.69	(-) 0.31	0.00	0.00	..
<b>Total - Charged</b>		<b>1,367.34</b>	<b>43.42</b>	<b>1,410.76</b>	<b>1,404.99</b>	<b>(-) 5.77</b>	<b>5.11</b>	<b>5.11</b>	<b>88.72</b>
<b>Grant total</b>		<b>7,530.00</b>	<b>432.68</b>	<b>7,962.68</b>	<b>7,423.20</b>	<b>(-) 539.48</b>	<b>81.69</b>	<b>81.69</b>	<b>15.14</b>

(Source: Appropriation Accounts and Budget documents for 2018-19)

<sup>1</sup> Excludes recoveries shown as reduction of expenditure

- The overall savings of ₹ 539.48 crore worked out to 6.78 per cent of total provision including supplementary provision made against the respective grants in 2018-19.
- A savings of ₹ 367.74 crore occurred in 31 grants and 15 appropriations under Revenue section, ₹ 174 crore occurred in 17 grants and 11 appropriations under Capital section and ₹ 0.73 crore occurred in two grants under Loan section.

As against the original provision of ₹ 7,530 crore, an expenditure of only ₹ 7,423.20 crore was incurred resulting in overall savings of ₹ 539.48 crore. Further, only ₹ 81.69 crore was surrendered on the last day of the financial year without being made available to Finance Department for re-appropriation for some other purpose. It is evident that Financial Department could not exercise due prudence at the time of projection of supplementary grants.

## 2.3 Financial accountability and budget management

### 2.3.1 Appropriations vis-à-vis allocative priorities

During 2018-19, there was savings of ₹459.71 crore in 16 grants under capital and revenue heads, exceeding ₹ 10 crore in each case. This was 85.21 per cent of total savings of ₹ 539.48 crore. The savings ranged between 2 per cent to 100 per cent as indicated in Table 2.2.

Table 2.2: List of grants with savings of ₹ 10 crore or more

(₹ in crore)							
Sl. No.	Name of the Grant	Original	Supple-mentary	Total	Expenditure	Savings	Percentage
<b>Revenue-Voted</b>							
1	06 - Revenue and Food	217.48	17.59	235.07	208.91	26.16	11.13
2	10 - District Administration	235.84	16.81	252.65	213.19	39.47	15.62
3	15 - Retirement Benefits	875.00	70.93	945.93	872.29	73.64	7.78
4	16 - Public Works	260.50	0.00	260.50	242.36	18.14	6.96
5	17 - Education	841.35	56.08	897.43	867.63	29.80	3.32
6	18 - Medical	528.64	49.04	577.68	561.91	15.77	2.73
7	21 - Social Welfare	661.58	0.00	661.58	628.59	32.99	4.99
8	24 - Agriculture	95.25	3.96	99.21	85.64	13.57	13.67
9	27 - Community Development	108.19	0.00	108.19	79.27	28.92	26.74
10	29 - Electricity	1,255.04	119.69	1,374.73	1,341.54	33.19	2.41
<b>Total</b>		<b>5,078.88</b>	<b>334.10</b>	<b>5,412.98</b>	<b>5,101.32</b>	<b>311.66</b>	<b>5.76</b>

Sl. No.	Name of the Grant	Original	Supplementary	Total	Expenditure	Savings	Percentage
<b>Capital-Voted</b>							
11	09 - secretariat	21.06	0.00	21.06	0.00	21.06	100.00
12	16 - Public Works	207.15	0.00	207.15	163.00	44.15	221.31
13	19 - Information and Publicity	41.37	0.00	41.37	23.27	18.10	43.76
14	29 - Electricity	68.63	9.81	78.44	56.69	21.75	27.73
15	30 - Ports and Pilotage	24.37	6.94	31.31	13.27	18.04	57.60
16	32 - Building Programmes	62.82	1.99	64.81	39.86	24.95	38.50
<b>Total</b>		<b>425.41</b>	<b>18.73</b>	<b>444.14</b>	<b>296.09</b>	<b>148.05</b>	<b>33.33</b>
<b>Grant total</b>		<b>5,504.29</b>	<b>352.83</b>	<b>5,857.12</b>	<b>5,397.41</b>	<b>459.71</b>	<b>7.85</b>

(Source: Appropriation Accounts for 2018-19)

It was noticed that in 134 cases (sub heads), savings exceeded ₹ 50 lakh in each case and by more than 20 per cent of the total provision (**Appendix 2.1**), wherein out of total provision of ₹ 708.63 crore, ₹ 432.73 crore was the savings. Further, no expenditure was incurred in 48 cases out of the 134 cases, against the provision of ₹ 133.35 crore.

### 2.3.2 Persistent savings

In 27 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 of more than ₹ 10 lakh during 2014-19**

(₹ in crore)

Sl. No.	Number and name of the Grant		Amount of savings				
			2014-15	2015-16	2016-17	2017-18	2018-19
<b>(A) Revenue - Voted</b>							
1	01	Legislative Assembly	2.36	2.86	1.72	0.44	0.82
2	03	Council of Ministers	0.75	0.10	3.72	2.66	0.37
3	06	Revenue and Food	12.57	26.56	83.01	26.64	26.16
4	08	Transport	0.83	1.14	1.73	4.98	0.19
5	09	Secretariat	5.88	24.92	24.60	13.32	8.09
6	10	District Administration	202.92	98.09	52.05	11.67	39.47
7	11	Treasury and Accounts Administration	0.43	0.46	0.28	0.15	0.16
8	12	Police	8.44	15.09	13.77	10.25	5.81
9	13	Jails	0.65	4.17	0.77	0.23	0.54
10	16	Public Works	4.73	20.69	14.23	9.50	18.14

Sl. No.	Number and name of the Grant		Amount of savings				
			2014-15	2015-16	2016-17	2017-18	2018-19
11	17	Education	12.70	140.81	90.90	93.85	29.79
12	18	Medical	2.05	74.01	23.84	11.39	15.77
13	19	Information and Publicity	4.62	7.37	9.40	8.60	5.17
14	20	Labour and Employment	2.38	4.66	1.05	3.55	6.24
15	21	Social Welfare	10.84	31.13	29.30	79.07	32.99
16	22	Co-operative	0.15	2.76	11.41	15.80	3.92
17	23	Statistics	1.00	1.30	0.56	1.42	0.75
18	24	Agriculture	45.33	33.30	22.93	29.27	13.56
19	25	Animal Husbandry	2.70	8.11	5.91	3.81	1.90
20	26	Fisheries	1.88	0.83	1.84	3.64	7.68
21	27	Community Development	19.40	20.81	17.96	12.32	28.93
22	28	Industries	0.62	5.78	6.97	12.74	5.37
23	29	Electricity	189.98	60.76	11.07	0.80	33.20
24	32	Building Programmes	4.92	7.42	7.02	2.84	1.52
<b>Total (A)</b>			<b>538.13</b>	<b>593.13</b>	<b>436.04</b>	<b>358.94</b>	<b>286.54</b>
<b>(B) Capital – Voted</b>							
25	16	Public Works	32.77	83.94	168.32	109.63	44.15
26	29	Electricity	16.89	48.38	4.35	9.32	21.75
27	30	Ports and Pilotage	4.98	7.94	0.83	3.09	18.03
28	31	Loans to Government Servants	0.97	0.69	0.73	0.79	0.42
29	32	Building Programmes	31.23	53.45	59.56	39.10	24.95
<b>Total (B)</b>			<b>86.84</b>	<b>194.4</b>	<b>233.79</b>	<b>161.93</b>	<b>109.30</b>
<b>(C) Capital – Charged</b>							
30	33	Public Debt	31.62	51.25	16.94	149.59	0.31
<b>Total (C)</b>			<b>31.62</b>	<b>51.25</b>	<b>16.94</b>	<b>149.59</b>	<b>0.31</b>
<b>Grant Total (A + B + C)</b>			<b>656.59</b>	<b>838.78</b>	<b>686.77</b>	<b>670.46</b>	<b>396.15</b>

(Source: Appropriation Accounts of respective years)

Budgetary requirement and appropriation of funds should be based on the anticipated requirement for the year. Out of 33 grants, savings of more than ₹ 10 lakh was noticed persistently under 27 grants in the last five years. Finance Department should review the reasons for non-utilisation of the provisions under various schemes and take steps to make more judicious provisions in future.

### 2.3.3 Unnecessary Supplementary provision

Supplementary provision of ₹ 10 lakh or more in each case aggregating ₹ 28.39 crore obtained in 18 sub heads/cases during the year 2018-19 was

unwarranted as the expenditure incurred was within the original provision as detailed in **Appendix 2.2**.

#### **2.3.4 Excessive/unnecessary re-appropriation of funds**

During 2018-19, re-appropriation order was issued on 31 March 2019 for ₹ 353.49 crore which dilutes the process of budgeting and expenditure control. It implies that re-appropriation orders were proposed *ex post facto* without necessary provision in the respective heads.

The re-appropriations made proved unnecessary or excessive in 146 sub heads as the expenditure incurred under these heads was within the original allocations, as indicated in **Appendix 2.3 Part A**. In 28 re-appropriation cases, there was no expenditure at all resulting in saving of ₹ 2.61 crore. Re-appropriations also resulted in expenditure of ₹ 8.33 crore in 17 cases where there was no provision at all, as indicated in **Appendix 2.3 Part B**.

#### **2.3.5 Substantial surrenders**

Substantial surrenders (cases where more than 50 *per cent* of the total provision exceeding ₹ 10 lakh were surrendered) were made in 10 sub heads on account of either non-implementation or slow implementation of the schemes/programmes (**Appendix 2.4**). Out of the total provision of ₹ 71.48 crore in these sub heads, ₹ 58.82 crore (82.29 *per cent*) was surrendered and in respect of five sub heads, entire provision (₹ 22.87 crore) was surrendered.

#### **2.3.6 Anticipated savings not surrendered**

Out of total savings of ₹ 539.48 crore, an amount of ₹ 81.69 crore was surrendered on 31 March 2019. It was noticed that in respect of 22 grants/appropriations, with saving of ₹ 510.43 crore (saving of ₹ one crore and above), ₹ 452.66 crore (83.91 *per cent* of total savings) was not surrendered, details of which are given in **Appendix 2.5**. This indicated inadequate financial control, blocking of funds 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 62 (3) of the General Financial Rules (GFR), 2017, 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 2019.

Audit observed that in respect of six sub heads, out of the total expenditure of ₹ 8.07 crore, ₹ 5.51 crore (68.28 per cent) was incurred during the last quarter of 2018-19. Out of the expenditure incurred in the last quarter, ₹ 4.57 crore (82.94 per cent) alone was spent in March 2019. Uniform flow of expenditure, which was a primary requirement of budgetary control mechanism and sound financial management was not maintained.

### 2.3.8 Expenditure on Centrally Sponsored Schemes

The total provision under Centrally Sponsored Schemes after re-appropriation stood at ₹ 420.84 crore in 120 sub heads. Out of this, in respect of 79 sub heads, in which there was provision of ₹ 378.92 crore, ₹ 254.99 crore (67.29 per cent) only was spent. It was noticed that the expenditure was less than 50 per cent of the provision in respect of 32 sub heads. Despite a provision of ₹ 41.92 crore under 41 sub heads, no expenditure was incurred.

## 2.4 Comment on budgetary control

A review of the budgetary procedure and control of expenditure followed in in Grant Number 21 - Social Welfare revealed the following:

### 2.4.1 Allocation and Expenditure

A summary of actual expenditure *vis-à-vis* original/supplementary provisions made under Grant No. 21 during the year 2018-19 is given in **Table 2.4**.

**Table 2.4: Details of Budget Provision and Actual Expenditure under Grant No. 21**

(₹ in crore)

	Nature of expenditure	Original	Supplementary	Total	Expenditure	Savings(-)/Excess (+)	Percentage of savings	Amount surrendered
Voted	I Revenue	661.58	0.00	<b>661.58</b>	628.59	(-) 32.99	4.99	1.94
	II Capital	3.00	0.01	<b>3.01</b>	3.00	(-) 0.01	0.33	0.00
<b>Total Voted (A)</b>		<b>664.58</b>	<b>0.01</b>	<b>664.59</b>	<b>631.59</b>	<b>(-) 33.00</b>	<b>4.97</b>	<b>1.94</b>
Charged	IV Revenue	0.00*	0.20	0.20	0.20	(-) 0.00	..	..
	V Capital	0.00**	2.08	2.08	2.08	(-) 0.00	..	..
<b>Total Charged (B)</b>		<b>0.00</b>	<b>2.28</b>	<b>2.28</b>	<b>2.28</b>	<b>(-) 0.00</b>	<b>..</b>	<b>.</b>
<b>Grant Total (A+B)</b>		<b>664.59</b>	<b>2.29</b>	<b>666.88</b>	<b>633.87</b>	<b>(-) 33.00</b>	<b>(-) 4.95</b>	<b>1.94</b>

\* ₹ 3,000 only. \*\* ₹ 1,000 given as token provision.

(Source: Appropriation Accounts for the year 2018-19)

#### 2.4.1.1 Savings/Surrenders

Observations based on test check of records related to the surrender of funds are given in **Table 2.5** below:



**Table 2.5: Particulars of savings/surrenders under certain schemes in Grant No. 21**  
(₹ in crore)

Sl. No.	Name of the scheme (Head of Account)	Provision	Actual Expenditure	Savings/Surrender
1	Free supply of rice to all disabled persons 2235.02.101.16 (01) & (02) and 2235.02.789.16 (01) & (02)	3.05	0.35	2.70
2	Old Age and Widow Pension 2235.60.102.01	256.41	254.40	2.01
<b>Total</b>		<b>259.46</b>	<b>254.75</b>	<b>4.71</b>

(Source: Appropriation Accounts for the year 2018-19)

Under the scheme of ‘Free supply of rice to all disabled persons’, against the provision of ₹ 3.05 crore, only ₹ 0.35 crore was utilised as the Department’s proposal for procurement of rice under nomination system for an amount of ₹ 2.69 crore forwarded (February 2019) to Government was returned by the Finance Department (March 2019) with instructions to get approval of the Chief Vigilance Officer (CVO) as the purchase involved more than ₹ 10 lakh. The CVO in turn instructed (April 2019) the Department to follow tender system in procurement process. Thus, seeking budget provision and failing to follow tender system as per extant rules resulted in savings of ₹ 2.70 crore and its consequent surrender.

Similarly, under the scheme of “Old Age and Widow Pension, against the provision of ₹ 256.41 crore, only ₹ 254.40 crore was utilised and ₹ 2.01 crore was not utilised due to non- finalization of new beneficiaries, though the decision to include 10,000 new beneficiaries under the scheme (existing beneficiaries: 1,44,547) was taken during the budget session 2018-19 itself. At the close of the year, payment was made to only 2,800 new beneficiaries who were identified and distributed pension books. Non-identification/delay in identification of beneficiaries resulted in surrender of ₹ two crore.

#### **2.4.1.2 Rush of expenditure**

According to Rule 62(3) of GFR 2017, rush of expenditure particularly in the closing months of the financial year should be avoided and it is regarded as a breach of Financial Propriety. As per GOI instructions (September 2013), balanced pace of expenditure not more than 33 *per cent* of Budget Estimate be spent in last quarter of the financial year and expenditure during March should be limited to 15 *per cent*. It was, however, seen that more than 15 *per cent* of the total expenditure was incurred in the month of March 2019 in four heads (**Table 2.6**). The percentage of expenditure incurred in the last quarter of the financial year ranged from 43 to 100 *per cent* indicating deficient Budgetary Control Mechanism.

**Table 2.6 : Rush of expenditure in Grant Number 21 – Social Welfare Department**

Sl. No.	Head of Account	Total Expenditure during the year (₹)	Expenditure incurred		Percentage of total expenditure	
			During the last quarter of the year (₹)	During March 2019 (₹)	During the last quarter of the year	During March 2019
1	03/277/06/02	25,34,401	11,23,502	2,72,824	44.33	10.76
2	03/190/06/01	91,00,000	40,00,000	40,00,000	43.96	43.96
3	03/789/06/02	2,72,507	2,15,265	2,15,265	78.99	78.99
4	03/789/07/01	4,97,500	4,97,500	4,97,500	100	100

(Source: Detailed Appropriation Accounts for the year 2018-19)

Rush of expenditure is considered imprudent as this could lead to compromising in-built controls in the rush to spend the provision and indicates poor expenditure control. Appropriate action may be taken to regulate the pace of expenditure.

## 2.5 Conclusion

- During 2018-19, expenditure of ₹ 7,423.20 crore was incurred against total grants and appropriations of ₹ 7,962.68 crore, resulting in overall savings of ₹ 539.48 crore (6.78 per cent).
- Out of total provision of ₹ 708.63 crore in 134 cases, savings exceeded ₹ 50 lakh in each case and also by more than 20 per cent of the total provision, resulting in overall savings of ₹ 432.73 crore.
- Out of these 134 cases, in 48 cases against the provision of ₹ 133.35 crore, no expenditure was incurred during 2018-19.
- There were persistent savings of more than ₹ 10 lakh in 27 grants during 2014-19. Supplementary provision of ₹ 10 lakh or more in each case aggregating ₹ 28.39 crore obtained in 18 sub heads/cases proved unnecessary.

## 2.6 Recommendations

- Efficient budgeting would enable the Government to ensure that excessive, unnecessary supplementary provision and substantial surrender are avoided.
- Appropriate action needs to be taken to regulate and systematise the procedure to avoid heavy expenditure in the closing month of the financial year.