

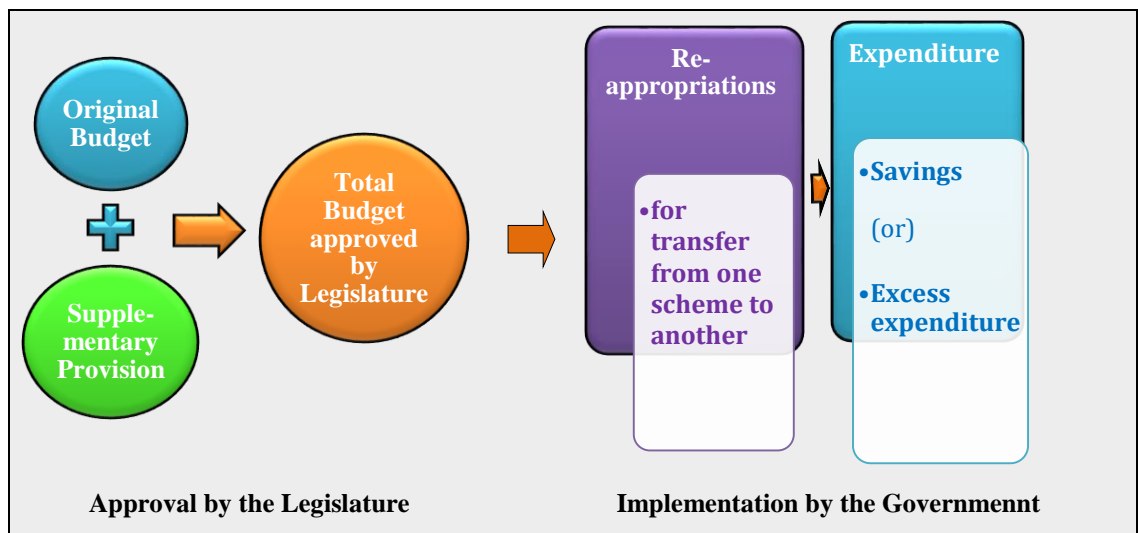
2 Financial Management and Budgetary Control

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 authorised 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 the Finance Accounts.

Appropriation Accounts captures the data along the entire process of budget formulation and implementation (**Chart 2.1**).

Chart 2.1: Flow chart of budget implementation



Source: Appropriation 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 2017-18.

Deficiencies in the management of budget and expenditure have been discussed in the subsequent paragraphs.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2017-18 against 14 grants/ appropriations is given in **Table 2.1**.

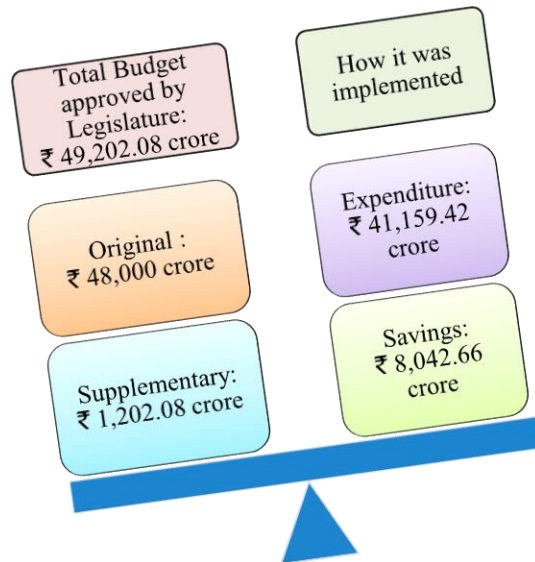
Table 2.1: Summarised Position of Actual Expenditure vis-à-vis Original/ Supplementary Provisions

(₹ in crore)						
	Nature of expenditure	Original Grant/ appropriation	Supplementary Grant/ appropriation	Total	Actual expenditure	Saving(-)/ Excess(+)
Voted	Revenue	35,069.25	1,018.54	36,087.79	30,827.31	(-) 5,260.48
	Capital	5,127.16	102.03	5,229.19	3,295.06	(-) 1,934.13
	Loans and Advances	2,763.38	79.07	2,842.45	2,247.49	(-) 594.96
Total Voted		42,959.79	1,199.64	44,159.43	36,369.86	(-) 7,789.57
Charged	Revenue	3,357.66	2.29	3,359.95	3,106.97	(-) 252.98
	Capital	0.10	0.15	0.25	0.16	(-) 0.09
	Loans and Advances	1,682.45	0.00	1,682.45	1,682.43	(-) 0.02
Total Charged		5,040.21	2.44	5,042.65	4,789.56	(-) 253.09
Appropriation to Contingency Fund (if any)		0.00	0.00	0.00	0.00	0.00
Grand Total		48,000.00	1,202.08	49,202.08	41,159.42	(-) 8,042.66

Supplementary provision of ₹ 1202.08 crore constituted 2.5 per cent of the original provision as against 1.78 per cent in the previous year.

2.2.1 Analysis of Appropriation Accounts 2017-18

Chart 2.2: How the Budget was implemented



Source: Appropriation Accounts

During 2017-18, against the total grants and appropriation of ₹ 49,202.08 crore expenditure of ₹ 41,159.42 crore was incurred resulting in saving of ₹ 8,042.66 crore (Table 2.2). The overall saving of ₹ 8,042.66 crore was a result of saving of ₹ 5,516.48 crore in 12 grants (sub-heads) under the Revenue (Voted) and 11 grants (sub-heads) under Revenue (Charged) and ₹ 2,529.40 crore 10 grants (sub-heads) under the Capital (Voted) and one grant under Capital (Charged) and one appropriation (Public Debt-Repayments) under the Loan Section, offset by excess of ₹ 3.03 crore mainly under Revenue (Voted) and ₹ 0.19 crore under Capital (Voted).

Table 2.2: Total excess or savings under different grants (sub-head level)

Description	Number of grants/appropriation					Amount (₹ in crore)
	Revenue (Voted)	Revenue (Charged)	Capital (Voted)	Capital (Charged)	Public Debt Repayment	
Savings occurred in	12	11	10	1	1	(-) 8,045.88
Excess expenditure occurred in	4	0	1	0	0	3.22

Source: Appropriation Accounts

2.3 Financial accountability and budget management

2.3.1 Savings vis-à-vis allocative priorities

Appropriation accounts for the year 2017-18 revealed that savings exceeding ₹ 50 crore occurred in 6 cases relating to five grants totaling ₹ 564.45 crore (Appendix 2.1).

The savings were attributed to non-incurring of budget earmarked for advertisements in view of matter being sub-judice, non-payment of arrears of up-gradation of pay scales, receipt of less number of bills and release of less loan.

2.3.2 Persistent savings

During the last five years, three grants showed persistent savings of more than ₹ one crore or 20 per cent of the total grants as detailed in Table 2.3.

Table 2.3: List of Grants with Persistent Savings during 2013-18

		(₹ in crore)					
Sl. No.	Head No. and Name of the grant		2013-14	2014-15	2015-16	2016-17	2017-18
Revenue-Voted							
1	Grant No. 3: Administration of Justice						
	2014.00.108.99	T	39.62	47.77	62.41	58.50	59.07
	Judicial Magistrate's Courts	S	6.04	8.05	15.29	8.13	7.86
		%	15.24	16.85	24.50	13.90	13.31
2	Grant No. 7: Medical and Public Health						
	2211.00.102.80	T	4.90	10.67	10	19.26	4.29
	Urban Family Welfare Centre (CSS)	S	3.50	9.21	8.71	17.76	2.50
		%	71.43	86.32	87.10	92.21	58.28
Capital-Voted							
3	Grant No. 8: Social Welfare						
	5055.00.800.97	T	100	3	11	11.73	30.00
	Introduction of Electronic Trolley Buses-Alternative mode of Transport	S	97.21	3	11	11.73	12.66
		%	97.21	100	100	100	42.20

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

Reasons for savings in 2017-18 were attributed to receipt of less bills, administrative reasons and delay in finalisation of proposal. Despite being mentioned in the Report on State Finances of the Comptroller and Auditor General of India for the year 2016-17, savings under the above grants persisted during the current year also which indicates incorrect assessment of fund requirement. This needs to be reviewed.

2.3.3 Savings of entire provision

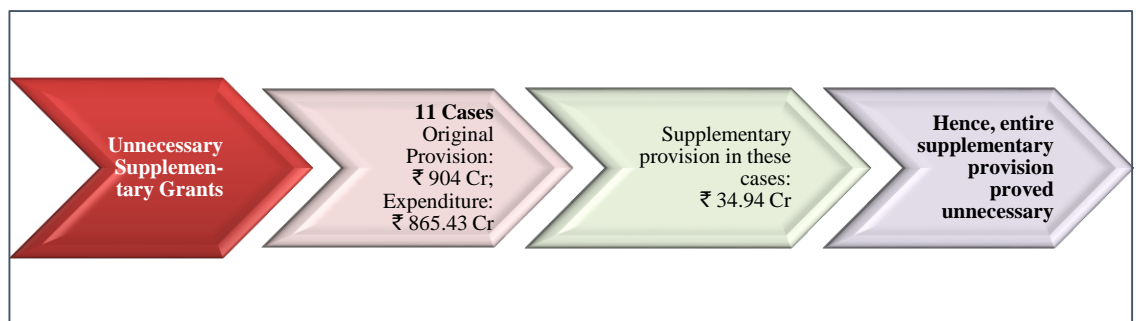
In 30 sub-heads of eight Grants (₹ one crore or above in each cases), the entire provision of ₹ 72.79 crore remained unutilised by the departments or was remitted back to Government before the closure of the financial year 2017-18. The details of sub-heads are given in **Appendix 2.2. Savings of the entire provision was indicative of the fact that the estimates were not prepared after adequate scrutiny of the projects/schemes.** Schemes which did not take off due to non-utilisation of entire provision were – Multi-sectoral Development Programme for minority concentration districts (₹ 5.00 crore), Pre-Matric scholarship scheme for minority students (CCS) (₹ 6.00 crore) and Pradhan Mantri Matri Vandhana Yojana (CSS) (₹ 3.90 crore).

2.3.4 Unnecessary supplementary provision

Supplementary demand should only be resorted to in exceptional and urgent cases. 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.

Audit scrutiny of Appropriation Accounts for the year 2017-18 revealed that supplementary grant amounting to ₹ 34.94 crore in 11 sub-heads, as detailed in **Appendix 2.3 (Chart 2.3)**, was obtained in anticipation of higher/additional expenditure. However, the final expenditure was even less than the original grant in five cases while in six cases there was no expenditure from the supplementary provision defeating the intended purpose of supplementary grant.

Chart 2.3: Unnecessary Supplementary Provisions



Source: Appropriation Accounts

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. **Under 37 sub-heads in eight grants where final savings were more than ₹ one crore as detailed in Appendix 2.4, re-appropriations were made unnecessarily as the departments were not able to even utilise fully their existing grants and there was a cumulative non-utilisation of ₹ 283.98 crore against the re-appropriation of**

₹ 95.18 crore. The departments attributed the reasons to late receipt of funds, non-materialisation of tenders, non-filling of vacant posts, non-receipt of anticipated claims, non-receipt of approval of competent authority, procurement proposals not materialised and payments not fully made due to technical reasons. The following are the important observations:

- (i) Under Grant No. 2 - 'General Administration Department' ₹ 9.88 crore were re-appropriated under the sub-head 'Service Selection Board for Delhi Government' in anticipation of more procurement. However, there was final saving of ₹ 11.67 crore.
- (ii) Under Grant No. 5 - 'Home' ₹ 4.02 crore were re-appropriated in anticipation of more procurement under the Sub-head 'Jail Establishment'. However, there was final saving of ₹ 56.23 crore.
- (iii) Under Grant No. 6 - 'Education' ₹ 7.20 crore were re-appropriated under Sub-head 'Additional Schooling facilities' in anticipation of payment of more bills. However, there was final saving of ₹ 88.82 crore.
- (iv) Under Grant No. 6 - 'Education' Capital-Voted ₹ one crore were re-appropriated in anticipation of more procurement under Sub-head 'Technical Education Poly-Technics Equipment'. However, there was final saving of ₹ 5.98 crore.
- (v) Under Grant No. 8 - 'Social Welfare' Capital-Voted ₹ 10.70 crore were re-appropriated in anticipation of good progress of scheme under Sub-head 'Scheme for implementation of person with disability act 1995 (SIPDA) (CSS)'. However, entire re-appropriation was finally saved.

The above excessive/unnecessary re-appropriation of funds was indicative of deficient budgeting exercise.

2.3.6 Substantial surrenders

Substantial surrenders involving ₹ 1,249.81 crore (more than ₹ 10 crore and 70 per cent of original provision) were made in respect of 25 sub-heads (**Appendix 2.5**), out of which in three sub-heads 100 per cent grant amounting to ₹ 150 crore was surrendered on account of receipt of less bills, release of less grant and non-finalisation of Pension liability with GOI.

Substantial surrenders amounting to ₹ 168.98 crore and ₹ 835.84 crore were made under Grant No. 8: Social Welfare and Grant No.10: Development.

2.3.7 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 minimise the scope for avoiding surrenders at a later stage. At the close of the year 2017-18, out of the savings of ₹ 5,560.98 crore

under 10 grants where savings of ₹ one crore and above were indicated in each grant/appropriation, an amount of ₹ 2,206.04 crore (39.67 per cent of savings) was not surrendered, details of which are given in **Appendix 2.6**.

2.3.8 Rush of expenditure

Rule 56 of the GFR 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 last quarter of the financial year 2017-18 in 26 sub-heads under six grants ranged between 50.47 per cent and 100 per cent of the total expenditure as given in **Appendix 2.7**.

It was noticed that out of total expenditure of ₹ 1,404.51 crore in 26 sub-heads under six grants during 2017-18, expenditure of ₹ 1,101.26 crore (78.40 per cent) was incurred in the last quarter whereas 96.67 per cent (₹ 1,064.55 crore) of the expenditure incurred was during the month of March 2018. Rush of expenditure during the last quarter, especially during the month of March indicates non-adherence to financial rules.

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 2017-18 were ₹ 106.61 crore against ‘nil’ anticipated recoveries.

2.5 Outcome of the Review of Grant No. 11– Urban Development and Public Works Department

A review of budgetary procedure and control over expenditure in respect of Grant No. 11 - Urban Development and Public Works Department, Government of NCT of Delhi for the period 2015-18 conducted in September 2018 brought out the following important points:

- (i) The overall position of budget provision, expenditure incurred and savings 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
2015-16	8,093.43	6,734.07	7,510.83	4,878.67	582.60	1,855.40
2016-17	10,004.10	6,069.86	8,514.63	4,229.03	1,489.47	1,840.83
2017-18	10,148.58	4,842.29	8,987.30	3,784.15	1,161.28	1,058.14
Total	28,246.11	17,646.22	25,012.76	12,891.85	3,233.35	4,754.37

- (ii) There were persistent savings of ₹ one crore or more in 14 cases/sub-heads under the grant which indicates unrealistic budgeting and deficient financial management.

- (iii) Scrutiny of Section-wise Appropriation Accounts of grant revealed persistent savings of 7 to 15 *per cent* in revenue voted section and 83 to 97 *per cent* in revenue charged section while savings in Capital voted section were 22 to 30 *per cent* of the total grant indicating unrealistic budgeting and deficient financial provision.
- (iv) Re-appropriation in 41 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 ₹ 531.03 crore in these cases during 2015-16 to 2017-18 against re-appropriation of ₹ 325.01 crore.
- (v) In 166 sub-heads under the grant, the entire provision remained unutilised by the department. Saving of the entire provisions was indicative of the fact that estimates were prepared without assessing the actual requirement and improper scrutiny of relevant projects/schemes (**Appendix 2.8**).
- (vi) Rule 56(3) of the GFR 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 last quarter of the financial year under various sub-heads ranged between 53 *per cent* and 100 *per cent* of the total expenditure.

2.6 Conclusion

During 2017-18, against total provision of ₹ 49,202.08 crore, expenditure of ₹ 41,159.42 crore was incurred which resulted in savings of ₹ 8,042.66 crore (16.35 *per cent*).

Supplementary provision of ₹ 34.94 crore in 11 sub-heads was unnecessary and re-appropriations of funds in 37 sub-heads where final savings were more than ₹ one crore was made injudiciously resulting in un-utilised/excessive provision of ₹ 283.98 crore during 2017-18.

Re-appropriation in 41 cases proved unnecessary as the departments did not utilise fully their original grant and resulted in cumulative non-utilisation of ₹ 531.03 crore under Grant No. 11- Urban Development and Public Works Department during the year 2015-16 to 2017-18.