

## CHAPTER II

### FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

#### 2.1 Introduction

**2.1.1** The Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year, compared with the amounts of voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimate, supplementary grants, surrenders 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. 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 Act 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 2008-09 against 40 grants/appropriations was as given in **Table 2.1**.

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

(Rupees in crore)						
	Nature of expenditure	Original grant/ Appropriation	Supplementary grant/ Appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
<i>Voted</i>	I Revenue	2,724.25	520.59	3,244.85	2,336.49	-908.36
	II Capital	228.23	195.32	423.54	273.81	-149.73
	III Loans and Advances	3.43	0.00	3.43	2.87	-0.56
<b>Total Voted</b>		<b>2,955.91</b>	<b>715.91</b>	<b>3,671.82</b>	<b>2,613.17</b>	<b>-1,058.65</b>
<b>Charged</b>	IV Revenue	254.93	8.04	262.97	262.88	-0.09
	V Capital	--	--	--	--	--
	VI Public Debt-Repayment	122.40	0.00	122.40	122.40	0.00
<b>Total Charged</b>		<b>377.33</b>	<b>8.04</b>	<b>385.37</b>	<b>385.28</b>	<b>-0.09</b>
<b>Appropriation to Contingency Fund (if any)</b>		--	--	--	--	--
<b>Grand Total</b>		<b>3,333.24</b>	<b>723.95</b>	<b>4,057.19</b>	<b>2,998.45</b>	<b>-1,058.74</b>

(Source : Appropriation Accounts of the Government of Union Territory of Puducherry)

The overall savings of Rs 1,058.74 crore was the result of savings of Rs 908.45 crore in 30 grants and six appropriations under the Revenue Section, Rs 149.73 crore in nine grants and one appropriation under the Capital Section and Rs 0.56 crore in one grant under the Loan Section.

## 2.3 Financial Accountability and Budget Management

### 2.3.1 Appropriations vis-à-vis Allocative Priorities

The outcome of appropriation audit revealed that in 90 cases, savings exceeded Rs 50 lakh in each case and also by more than 20 per cent of the total provision (**Appendix 2.1**). Against the total savings of Rs 1,195.50 crore in the above 90 cases, savings of Rs 971.72 crore (81.28 per cent) occurred in four grants as indicated in **Table 2.2**.

**Table 2.2: List of Grants with Savings of Rs 50 lakh and above  
(Rupees in crore)**

Sl. No.	Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
<b>Revenue-Voted</b>						
1.	Social Welfare	232.68	138.25	370.93	239.40	131.53
2.	Industries	709.96	0.00	709.96	19.21	690.75
	<b>Total</b>	<b>942.64</b>	<b>138.25</b>	<b>1080.89</b>	<b>258.61</b>	<b>822.28</b>
<b>Capital-Voted</b>						
3.	Public Works	74.79	114.34	189.13	100.77	88.36
4.	Building Programmes	50.52	63.96	114.48	53.40	61.08
	<b>Total</b>	<b>125.31</b>	<b>178.30</b>	<b>303.61</b>	<b>154.17</b>	<b>149.44</b>
	<b>Grand Total</b>					<b>971.72</b>

(Source : Appropriation Accounts of the Government of Union Territory of Puducherry)

### 2.3.2 Persistent savings

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

Table 2.3: List of Grants indicating Persistent Savings during 2004-09

(Rupees in lakh)

Sl. No.	Number and name of the Grant		Amount of Savings				
			2004-05	2005-06	2006-07	2007-08	2008-09
(1)	(2)		(3)	(4)	(5)	(6)	(7)
	<b>Revenue – Voted</b>						
1	6	Revenue and Food	292.07	104.62	5,553.32	9,504.27	4,227.96
2	9	Secretariat	112.17	447.76	1189.46	900.33	12.74
3	16	Public Works	30.60	148.50	42.12	61.66	35.15
4	17	Education	130.74	255.41	216.00	254.48	499.68
5	19	Information and Publicity	10.42	502.19	73.75	47.60	50.54
6	21	Social Welfare	44.10	94.88	133.62	193.77	13,153.49
7	26	Fisheries	13.24	14.71	12.54	42.70	17.03
8	32	Building Programmes	25.99	11.53	260.82	214.99	334.22
		<b>Total</b>	<b>659.33</b>	<b>1,579.6</b>	<b>7,481.63</b>	<b>11,219.8</b>	<b>18,330.81</b>
	<b>Capital - Voted</b>						
9	32	Building Programmes	98.86	13.15	1,481.17	340.45	6,108.93
		<b>Total</b>	<b>98.86</b>	<b>13.15</b>	<b>1,481.17</b>	<b>340.45</b>	<b>6,108.93</b>

(Source : Appropriation Accounts of the Government of Union Territory of Puducherry)

From the above table, it may be seen that the savings continued over the years indicating improper estimation.

### 2.3.3 Excess expenditure

In 55 cases, expenditure aggregating Rs 695.15 crore exceeded the approved provisions by Rs 50 lakh or more in each case or by more than 20 per cent of the total provision. Details are given in **Appendix 2.2**.

### 2.3.4 Unnecessary/excessive/inadequate supplementary provision

Supplementary provisions aggregating Rs 264.02 crore, obtained in nine cases, Rs 50 lakh or more in each case, proved unnecessary as no expenditure was incurred as detailed in **Appendix 2.3**. Supplementary provisions aggregating Rs 22.96 crore, obtained in six cases, proved excessive as the savings in each case exceeded Rs 50 lakh as detailed in **Appendix 2.4**.

### **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. Injudicious re-appropriations done in 23 sub-heads proved unnecessary or excessive and resulted in savings of over Rs 644.94 crore as detailed in **Appendix 2.5**.

### **2.3.6 Substantial surrenders**

Substantial surrenders (cases where more than 50 *per cent* of the total provision was surrendered) were made in 17 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to Rs 360.22 crore in these 17 sub-heads, Rs 328.72 crore (91.26 *per cent*) were surrendered, which included *per cent* surrender in six schemes (Rs 325.40 crore). The details of such cases are given in **Appendix 2.6**.

### **2.3.7 Anticipated savings not surrendered**

As per Rule 56 (2) of the General Financial Rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2008-09, there were, however, 15 grants/appropriations in which savings of Rs 320.73 crore occurred, but no part of which had been surrendered by the departments concerned. The details are given in **Appendix 2.7**.

Similarly, out of the total savings of Rs 738.04 crore under three other grants/appropriations (saving of Rupees one crore and above), Rs 401.73 crore (54.43 *per cent* of total saving) were not surrendered, details of which are given in **Appendix 2.8**.

### **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 the 34 sub-heads listed in **Appendix 2.9**, expenditure exceeding Rs 10 lakh and also by more than 50 *per cent* of the total expenditure for the year was incurred in March 2009.

Appropriate action needs to be taken to regulate and systematise the procedure to avoid heavy expenditure in the closing month of the financial year.

## 2.4 Non-adjustment of Temporary Advances

Drawing and Disbursing Officers (DDOs) draw temporary advances and disburse them to Government servants for the purpose of meeting contingent and miscellaneous expenditure either on the authority of standing orders or specific sanctions of the UT Government. According to Rule 292 (2) of the General Financial Rules, adjustment bills along with balances, if any, should be submitted by the DDOs within 15 days of the drawal of advances, failing which the advances/balances would be recovered from the next salary of the Government servants.

As of 31 March 2009, advances aggregating Rs 182.86 crore were pending adjustment by DDOs as per the records of the Director of Accounts and Treasuries, Puducherry. An age-wise analysis of pending advances is given in **Table 2.5**.

**Table 2.5 Age-wise Analysis of Pending Advances**

Sl. No	Pendency	Number of advances	Amount (Rs in crore)
1	More than 10 years	23	0.53
2	More than five years but less than 10 years	116	2.03
3	More than one year but less than five years	721	62.60
4	Less than one year	1,029	117.70
<b>Total</b>		<b>1,889</b>	<b>182.86</b>

(Source : Data furnished by the Director of Accounts and Treasuries)

The pendency indicated the laxity on the part of the departmental officers in enforcing codal provisions regarding adjustment of the advances involving substantial amounts.

## 2.5 Conclusion

During 2008-09, expenditure of Rs 2,998.45 crore was incurred against total grants and appropriations of Rs 4,057.19 crore, resulting in savings of Rs 1,058.74 crore. Inaccuracies in budgeting resulted in persistent savings of more than Rs 10 lakh in nine grants during 2004-09. Savings of Rs 320.73 crore in 15 grants were not surrendered by the departments concerned. Similarly, out of the savings of Rs 738.04 crore in three other grants/appropriations (Savings of Rupees one crore and above), Rs 401.73 crore were not surrendered.

## **2.6 Recommendations**

- Budgetary controls should be strengthened in all the Government departments, especially in those departments where savings have been observed for the last five years regularly.
- Rush of expenditure during the fag end of the financial year should be avoided.
- Government should initiate action to clear the pendency in adjustment of temporary advances.