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 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 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 2012-13 against 38 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 (+)
Voted	I Revenue	4,375.77	39.47	4,415.24	2,442.44	(-) 1,972.80
	II Capital	526.54	--	526.54	321.39	(-) 205.15
	III Loans and Advances	3.19	--	3.19	1.46	(-) 1.73
Total Voted		**4,905.50**	**39.47**	**4,944.97**	**2,765.29**	(-) **2,179.68**
Charged	IV Revenue	*459.97*	*167.31*	*627.28*	*627.05*	(-) *0.23*
	V Capital	--	--	--	--	--
	VI Public Debt-Repayment	*174.53*	*13.70*	*188.23*	*188.23*	--
Total Charged		***634.50***	***181.01***	***815.51***	***815.28***	(-) ***0.23***
Grand Total		**5,540.00**	**220.48**	**5,760.48**	**3,580.57**	(-) **2,179.91**

(Source: Appropriation Accounts and Budget documents)

The overall savings of ₹ 2,179.91 crore was the result of savings of ₹ 1,973.03 crore in 30 grants and six appropriations under the Revenue Section and ₹ 205.15 crore in 10 grants under the Capital Section and ₹ 1.73 crore in two grants and one appropriation under the Loan Section. The overall savings worked out to 37.84 *per cent* of the total provisions including the supplementary.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriations vis-à-vis Allocative Priorities

The outcome of appropriation audit revealed that savings of more than ₹ 10 crore in each case, amounting to ₹ 2,147.38 crore (98.51 *per cent* of total savings of ₹ 2,179.91 crore) occurred in 14 grants under capital and revenue heads and the percentage of savings ranged between 19 and 92 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	Supple-mentary	Total	Actual Expenditure	Savings	Percentage
	Revenue-Voted						
1.	06 - Revenue and Food	928.47	0.00	928.47	80.67	847.80	91.31
2.	10 - District Administration	311.82	0.00	311.82	88.99	222.83	71.46
3.	12 - Police	169.06	0.00	169.06	117.64	51.42	30.42
4.	16 - Public works	242.46	0.00	242.46	129.09	113.37	46.76
5.	17 - Education	648.16	0.00	648.16	519.54	128.62	19.84
6.	18 - Medical	422.64	0.00	422.64	295.91	126.73	29.99
7.	19 - Information and Publicity	155.24	0.00	155.24	32.46	122.78	79.09
8.	21 - Social Welfare	434.61	0.00	434.61	289.89	144.72	33.30
9.	22 - Co-operation	43.92	0.00	43.92	19.66	24.26	55.23
10.	24 - Agriculture	125.54	0.00	125.54	74.60	50.94	40.58
11.	26 - Fisheries	39.75	0.00	39.75	21.86	17.89	45.01
12.	28 - Industries	93.79	0.00	93.79	61.46	32.33	34.47
13.	29 - Electricity	167.86	0.00	167.86	128.55	39.31	23.42
14.	32 - Building programmes	49.36	0.00	49.36	27.15	22.21	44.99
	Total	**3,832.68**	**0.00**	**3,832.68**	**1,887.47**	**1,945.21**	**50.75**
	Capital-Voted						
15.	16 - Public Works	286.54	0.00	286.54	224.27	62.27	21.73
16.	22 - Co-operation	39.31	0.00	39.31	10.97	28.34	72.10
17.	29 - Electricity	96.53	0.00	96.53	55.16	41.37	42.85
18.	32 - Building programmes	97.71	0.00	97.71	27.52	70.19	71.83
	Total	**520.09**	**0.00**	**520.09**	**317.92**	**202.17**	**38.87**
	Grand Total	**4,352.77**	**0.00**	**4,352.77**	**2,205.39**	**2,147.38**	**49.33**

(Source: Appropriation Accounts)

It was noticed that in 351 cases, 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 103 out of the 351 cases, no expenditure was incurred against the provision of ₹ 1,247.94 crore.

2.3.2 Persistent savings

In 11 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 2008-13

(₹ in crore)

Sl. No.	Number and name of the Grant		Amount of Savings				
	Revenue – Voted		2008-09	2009-10	2010-11	2011-12	2012-13
1.	6	Revenue and Food	42.28	53.07	13.05	2.98	847.80
2.	9	Secretariat	0.13	15.72	41.15	15.37	1.85
3.	10	District Administration	31.75	125.48	212.31	214.82	222.83
4.	16	Public Works	0.35	6.22	1.13	2.73	113.37
5.	17	Education	5.00	6.67	1.88	82.45	128.62
6.	18	Medical	0.20	0.44	0.68	70.68	126.73
7.	19	Information and Publicity	0.51	58.45	46.82	72.56	122.78
8.	21	Social Welfare	131.53	146.23	130.57	78.34	144.72
9.	24	Agriculture	0.20	7.86	0.39	39.63	50.94
10.	26	Fisheries	0.17	3.04	1.52	0.22	17.89
11.	32	Building Programmes	3.34	3.70	2.12	9.15	22.21
	Total		**215.46**	**426.88**	**451.62**	**588.93**	**1,799.74**
	Capital – Voted						
12.	16	Public Works	88.36	190.82	169.20	342.39	62.27
13.	32	Building Programmes	61.09	99.51	89.89	76.59	70.19
	Total		**149.45**	**290.33**	**259.09**	**418.98**	**132.46**

(Source: Appropriation Accounts)

Savings was mainly due to non-availing of Additional Central Assistance (ACA) and negotiated loans as discussed in Paragraph 2.4.1**.**

2.3.3 Excess expenditure

In 47 sub-heads, expenditure aggregating ₹ 269.14 crore exceeded the original provisions by ₹ 50 lakh or more in each case and by more than 20 *per cent* of the total provision resulting in excess expenditure of ₹ 149.16 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 are anticipated, to another unit where additional funds are needed. It was noticed that during 2012-13 re-appropriation order was issued on 30 March 2013 for ₹ 243.73 crore. Issue of re-appropriation order on the penultimate day of the 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 provisions in the respective heads. As a result, in 12 cases where there was no provision, expenditure of ₹ 2.61 crore was incurred towards mission mode project for computerisation of commercial taxes administration, setting up of police station for coastal security, construction of police out posts/quarters, scholarships to students and payment of salaries etc. Further, the re-appropriations made were proved unnecessary or excessive in 41 sub-heads, which resulted in savings of over ₹ 89.39 crore as detailed in **Appendix 2.3.** Out of this, in respect of seven cases, no expenditure was incurred resulting in saving of ₹ 4.67 crore.

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 300 sub-heads on account of either non-implementation or slow implementation of the schemes/programmes **(Appendix 2.4)**. Out of the total provision amounting to ₹ 1,927.21 crore in these 300 sub-heads, ₹ 1,715.20 crore (89 *per cent*) were surrendered, which included cent *per cent* surrender under 114 sub-heads (₹ 1,164.95 crore).

2.3.6 Anticipated savings not surrendered

Out of total savings of ₹ 2,179.91 crore, an amount of ₹ 1,978.47 crore was surrendered on 31 March 2013. It was noticed that in respect of 10 grants/appropriations, which had a savings of ₹ 1,954.33 crore (savings of ₹ one crore and above), an amount of ₹ 196.85 crore (10.07 *per cent* of savings) 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 11 subheads 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 2013. 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

Though the UT Government had an unspent balance of ₹ 90.20 crore under Centrally Sponsored Schemes (CSS) at the beginning of the year and ₹ 38.80 crore was received from GOI during the year, only ₹ 87.17 crore was provided in the budget for CSS during 2012-13. Taking into account the amount of ₹ 5.99 crore provided by re-appropriation in March 2013, the total provision stood at ₹ 93.16 crore for 104 CSS schemes. Out of this, in respect of 58 CSS schemes which had a provision of ₹ 66.08 crore, ₹ 36 crore

(54.48 *per cent*) was spent. It was noticed that the expenditure was less than 50 *per cent* of the provisions in respect of 17 schemes and no expenditure was incurred in respect of 46 schemes, which had provisions amounting to ₹ 27.08 crore. Provision of funds through re-appropriation at the fag end of the financial year, despite availability of funds at the budget/supplementary stages resulted in savings.

2.4 Comments on budgetary control

A review of the budgetary procedure and control of expenditure revealed the following failures:

2.4.1 Preparation of Budget estimates without necessary proposals/funds

The Budget estimates for UT of Puducherry for the year 2012-13 were prepared based on the approved Annual Plan outlay of ₹ 3000 crore which included negotiated loan (₹ 319.28 crore), market loan (₹ 500 crore) and Additional Central Assistance (ACA) through Externally Aided Project (EAP) Assistance from World Bank (₹ 800 crore) for disaster mitigation efforts and post Thane cyclone subject to World Bank approval.

Scrutiny of records revealed the following:

(i) The UT Government, without finalising the necessary proposals for ACA, prepared (July 2012) Budget estimates for the year 2012-13 including ACA. The proposals were finalized and forwarded to GOI only in September 2012 and all the line departments required a minimum of two years time to complete the project. The World Bank team visited Puducherry during December 2012 and informed (February 2013) that Coastal Disaster Risk Reduction Project (CDRRP) would be ready for negotiation by April 2013 and requested the UT Government to prepare detailed project report, setting up of dedicated implementation units, preparation of operation manual etc., and hence ACA towards EAP did not materialize during 2012-13. Due to this shortfall in resource, all the departments were requested (December 2012) to curtail expenditure by nearly 35 to 40 *per cent* of the budgeted amount as cash was not available to support the budgeted amount.

(ii) GOI notified in May 2006 that for availing loans, the consolidated debt of UT Government should be below 20 *per cent* of GSDP. As it was more than 20 *per cent* (37.95 *per cent*) of the GSDP[2], approval of GOI had to be obtained before availing any such loans. However, provisions were made in the budget for various schemes anticipating availing of the proposed market borrowings (₹ 500 crore)/negotiated loans (₹ 319.28 crore) in full, without getting approval of

[2] GSDP of 2011-12 (₹ 14,299 crore)

GOI. GOI permitted (December 2012/March 2013) the UT to avail only ₹ 301.63 crore under market borrowings and ₹ 154 crore under negotiated loans. Against this, though UT availed the entire sanctioned amount in respect of market borrowings it could avail only ₹ 122.34 crore under negotiated loans.

Thus, preparation of budget estimates without necessary proposals for ACA and short availing of loans resulted in huge savings of ₹ 1,195.31[3] crore and consequently various Plan schemes proposed could not be implemented under the sectors - Roads and Bridges (Grant 10 – District Administration), creation of infrastructure facilities (Grants 16 – Public works, 21 - Social Welfare, 22 – Co-operation, 24 – Agriculture and 32 – Building programme), Development of infrastructure facilities to Government Colleges and Institutes (Grant 17-Education), Modernisation of billing method and e-governance initiatives (Grant 29-Electricity) and Improvement to Women and Child Hospital (Grant 32-Building programmes).

2.4.2 Improper operation of non-plan posts under plan sector

In order to implement various plan schemes 9,350 posts were created under plan sector since Sixth Five Year Plan and as per the directions of the Planning Commission, these posts were to be transferred to non-plan sector on completion of their respective plan periods.

Scrutiny of records revealed that 9,350 posts were continued to be operated under plan schemes and UT Government initiated action during 2012-13 to transfer these posts to non-plan. Accordingly, 5,317 plan posts under 28 Departments were transferred to non-plan during April-December 2012. The UT Government approached (May 2012) GOI for non-plan gap grant to meet the salary expenses of these posts and pending release of funds from GOI, salary of these posts was met under non-plan heads. However, the proposal was not approved by GOI on the grounds that the issue was neither included in the pre-budget meeting held in October 2012 nor in the proposed Revised Estimates and in Supplementary demands for grants for the year 2012-13. Hence, UT Government reverted the above posts to plan heads and salary was booked under plan heads after making necessary transfer entries.

Audit scrutiny revealed that Planning Commission while issuing guidelines for treatment of expenditure under committed non-plan expenditure indicated that GOI would meet the establishment expenditure only in respect of posts created for central sector schemes and the respective Governments had to meet the establishment expenditure in respect of state/CSS schemes. It was noticed that the above 9350 posts were arrived at only after excluding the posts created under central sector schemes/CSS schemes and UT Government had to meet their respective establishment expenses. Such being the case, action of UT Government in reverting the posts to plan sector and incurring expenditure

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[3] ₹ 800 crore + ₹ 198.37 crore (₹ 500 crore – ₹ 301.63 crore) + ₹ 196.94 crore (₹ 319.28 crore – ₹ 122.34 crore)

from plan heads not only resulted in inflation of plan expenditure, but also in denial of fund allocation to various components of new plan schemes.

2.5 Conclusion and Recommendations

During 2012-13, expenditure of ₹ 3,580.57 crore was incurred against total grants and appropriations of ₹ 5,760.48 crore, resulting in overall savings of ₹ 2,179.91 crore (37.84 *per cent).* In 103 cases, no expenditure was incurred against the provision of ₹ 1,247.94 crore. There were persistent savings of more than ₹ 10 lakh in 11 grants during 2008-13. Out of total anticipated savings of ₹ 1,954.33 crore in 10 grants, ₹ 196.85 crore was not surrendered. In 47 cases, the expenditure exceeded the approved provisions, resulting in excess expenditure of ₹ 149.16 crore.

Budgetary controls need to be strengthened to avoid large scale savings of funds, incurring expenditure in excess of the provisions and in the absence of provisions.