

Chapter-III
Budgetary Management

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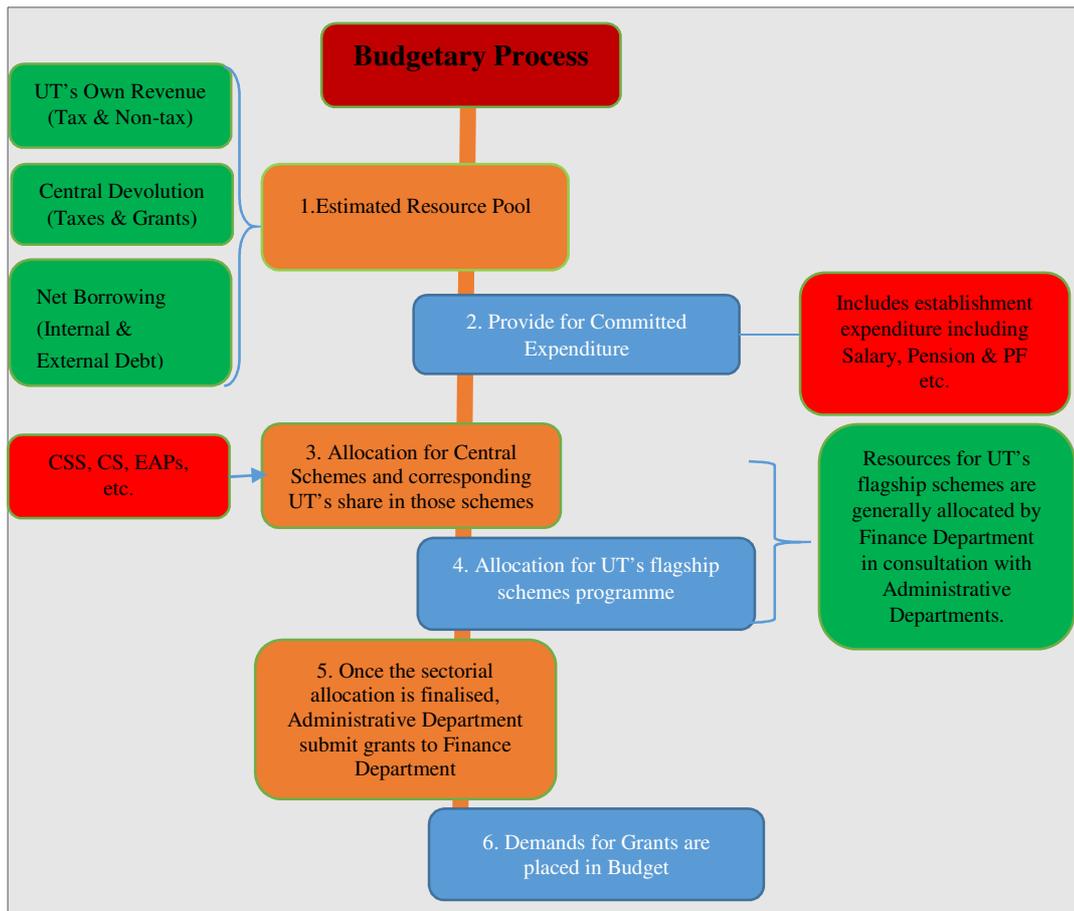
BUDGETARY MANAGEMENT

3.1 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. 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 schedule appended to the Appropriation Acts passed under Section 43 and 44 of the Jammu and Kashmir Reorganisation Act 2019.

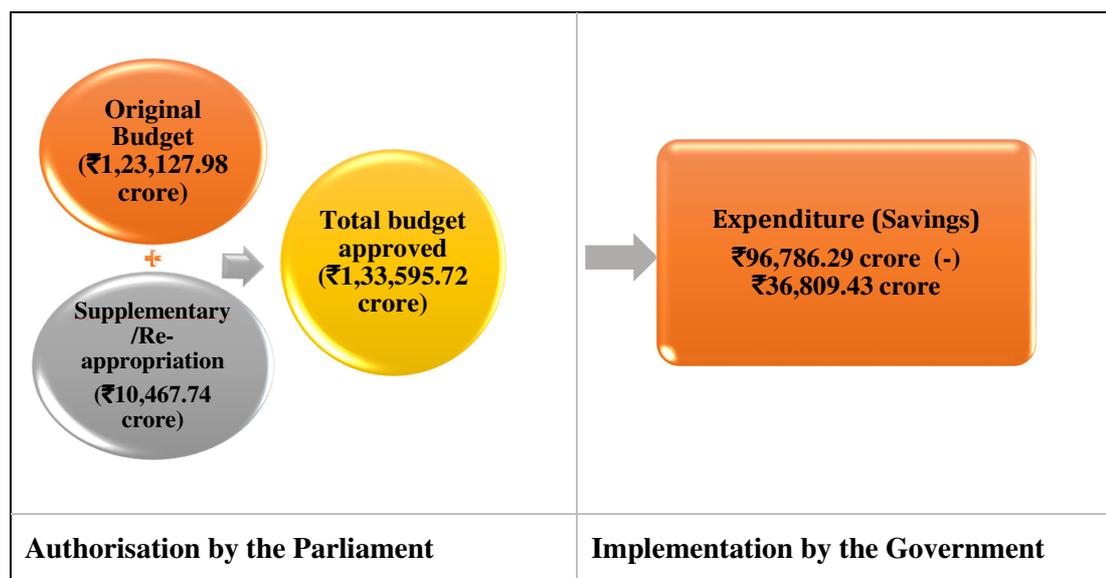
Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provisions and are, therefore, complementary to Finance Accounts. Budget glossary is given in *Appendix 6*. A typical budget preparation process is given in (*Chart 3.1*)

Chart 3.1: Budget Process



CSS: Centrally Sponsored Schemes; CS: Central Schemes.

The various components of budget 2020-21 are depicted in (*Chart 3.2*)

Chart 3.2: Components of Budget


Source: Based on the procedure prescribed in Budget Manual and Appropriation Accounts

3.1.1 Summary of Total Provisions, Actual Disbursements and Savings during 2020-21

A summarised position of total budget provision, disbursement and saving/excess with its further bifurcation into voted/charged during 2020-21 is as under:

Table: 3.1: Budget provision, disbursement and saving/excess during 2020-21

(₹ in crore)

Total Budget provision		Disbursements		Saving (-)/Excess(+)	
Voted	Charged	Voted	Charged	Voted	Charged
1,00,254.92	33,340.81	56,782.00	40,004.29	(-) 43,472.92	(+) 6,663.48

3.1.2. Charged and Voted disbursements

During 2020-21, against the budget provision of ₹1,00,254.92 crore under the Voted section, expenditure of ₹56,782.00 crore has been incurred, resulting into saving of ₹43,472.92 crore. However, against the budget provision of ₹33,340.81 crore under the charged section, expenditure of ₹40,004.29 crore has been made resulting into excess expenditure of ₹6,663.48 crore during the same period, as shown in the table above.

3.2. Appropriation Accounts

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.3 Comments on Integrity of Budgetary and Accounting Process

3.3.1 Expenditure incurred without authority of law

No money shall be withdrawn from the Consolidated Fund of the Union Territory except under appropriation made by law passed in accordance with the provisions of section 43 of J&K Reorganisation Act 2019.

An amount of ₹6,714.34 crore was incurred under 53 schemes/ Sub Heads in 16 Grants (*Appendix 3.1*) without Budgetary Provisions during 2020-21 which needs to be regularised.

3.3.2 Classification of expenditure of Revenue nature as Capital expenditure or vice-versa

Classification of expenditure of revenue nature as capital expenditure or vice-versa, results in overstatement/understatement of revenue expenditure and revenue deficit/surplus.

During 2020-21, a sum of ₹189.81 crore of Revenue expenditure as detailed below was disbursed under Capital Major Heads of expenditure, thereby, resulting in overstatement of Capital Expenditure and understatement of Revenue Expenditure and Revenue deficit to the extent of ₹189.81 crore.

Table 3.2: Classification of expenditure of Revenue nature as Capital expenditure

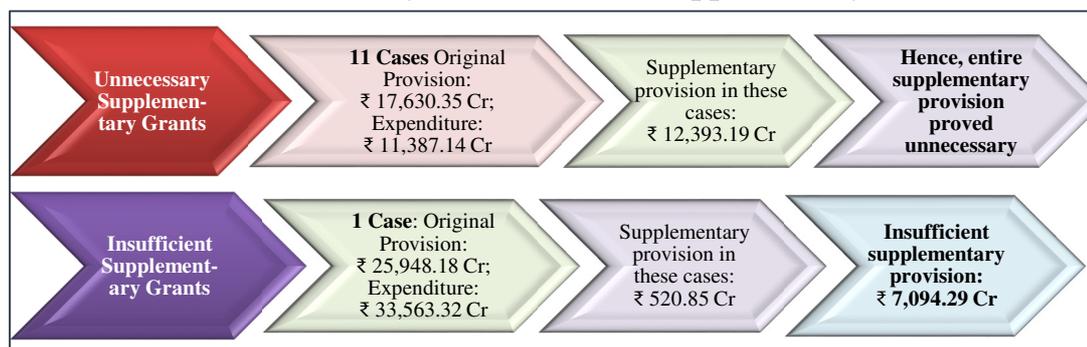
Sl. No.	Major Head of Account	Type of Misclassification	Amount
			(₹ in crore)
1	4210, 4225, 4401 and 4515	Grant-in-aid classified as Capital Expenditure	61.59
2	4235	Salary booked as Capital Expenditure	0.17
3	4401, 4402 and 5055	Subsidy booked as Capital Expenditure	128.05
		Total	189.81

3.3.3 Unnecessary or Insufficient Supplementary Grants

As per section 44 of J&K Reorganisation Act 2019, a Supplementary or Additional Grant over the provision made by the Appropriation Act for the year, can be made during the current financial year.

Supplementary provisions aggregating ₹12,393.19 crore obtained in 11 cases, involving ₹50 lakh or more in each case during the year proved unnecessary as the expenditure did not come up to the level of the original provisions as detailed in *Appendix 3.2*. On the other hand, in grant 08-Finance Department, (Capital Charged), supplementary grant of ₹520.85 crore was not adequate to meet the requirement (*Chart 3.3*).

Chart 3.3: Unnecessary and Insufficient Supplementary Provisions



Source: Appropriation Accounts

The Government may consider preparing realistic budget estimates to avoid large savings and supplementary provisions.

3.4 Substantial Savings

As per the J&K Budget Manual, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. There were 34 grants in which savings of ₹ten crore and above had occurred as on 31st March 2021, which included 30 grants wherein savings of ₹100 crore and above were noticed. The percentage savings ranged between 17 *per cent* and 80 *per cent* of the total appropriation of the grant during 2020-21. However, no surrender in anticipation of savings was made by the concerned departments. The savings in these cases was of the order of ₹41,846.32 crore. Relevant details are indicated in **Appendix 3.3**. The above savings also includes huge savings of ₹100 crore and above by the departments under Capital Section in 25 grants amounting to ₹31,927.59 crore which indicate that the Government could not utilise the funds earmarked for developmental activities/creation of assets. Savings under Capital Section ranged between 19 *per cent* and 99 *per cent* of the total appropriation of the grant during 2020-21.

3.4.1 Percentage of utilisation of provision under each Grant

Audit examination of utilisation of grants revealed that out of 35 grants, in 34 grants, the utilisation ranged between 20 *per cent* and 83 *per cent*. In the remaining one grant there was over utilisation of 11 *per cent* resulting in excess over provisions during 2020-21 as detailed in **Appendix 3.4**. Savings (underutilisation) by these departments is indicative of non-prioritising of schemes/works by the Government or inefficiency in implementation of schemes by the department concerned/implementing agencies. Overutilisation of grant indicates the incurring of excess expenditure over the budget provisions by the department during the period, which needs to be regularised, as per the existing rules and regulations.

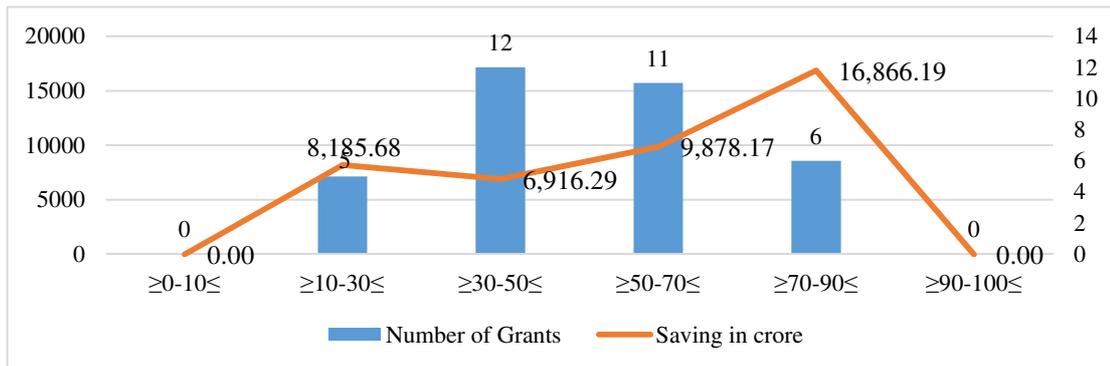
3.4.2 The distribution of the number of Grants/Appropriations grouped by the percentage of Savings

The outcome of the appropriation audit shows that the percentage savings ranged between 10 *per cent* to 30 *per cent* amounting to ₹8,185.68 crore in five grants,

30 per cent to 50 per cent amounting to ₹6,916.29 crore in 12 grants, 50 to 70 per cent amounting to ₹9,878.17 crore in 11 grants and 70 to 90 per cent amounting ₹16,866.19 crore in six grants.

Low utilisation of grants by the departments indicates that the Government could not utilise the funds earmarked for the planned purposes.

Chart 3.4: The distribution of the number of Grants/Appropriations grouped by the percentage of Savings along with total savings in ₹crore in each group.



3.5 Grants with Nil Expenditure

Entire budget provision of ₹18,134.91 crore under 25 Grants involving 139 number of schemes as detailed in *Appendix 3.5* remained unutilised during the year resulting in denial of intended benefits to the general public. The provision could have been re-appropriated to the schemes/works where there was excess expenditure over the provision.

3.5.1 Excess over provisions requiring regularisation

As per Section 43 of J&K Reorganisation Act 2019, no money shall be withdrawn from the Consolidated Fund of the Union Territory except under appropriation made by law passed in accordance with the provisions of this section.

Excess expenditure amounting to ₹7,094.29 crore under Capital *charged* section in Grant No. 08 (Finance Department) has been incurred by the Government during 2020-21.

Excess expenditure amounting to ₹3,875.61 crore as detailed in *Appendix 3.6* was also incurred by the U.T Government during 2019-20 (31 October 2019 to 31 March 2020). This irregularity is in violation of the *ibid* Section and the amount aggregating to ₹10,969.90 crore pertaining to Union Territory of Jammu and Kashmir during the period 31 October 2019 to 31 March 2021 is required to be got regularised.

3.5.2 Regularisation of excess expenditure of previous financial years pertaining to erstwhile State of Jammu and Kashmir

As the Appropriation Accounts of 1980-81 onwards had not been discussed in PAC, the excess expenditure aggregating ₹1,24,004.41 crore for the years 1980-81 to 2019-20 (01.04.2019 to 30.10.2019) pertaining to erstwhile State of Jammu and Kashmir, as detailed in *Appendix 3.7* is yet to be regularised. Excess expenditure remaining

un-regularised for such extended period vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

3.6 Grants-in-aid for creation of Capital Assets

Grants-in-aid are payments in the nature of assistance, donations or contributions made by one Government to another Government, body, institution or individual. Grants-in-aid are given for specified purpose of supporting an institution including construction of assets.

As per IGAS 2, Grant-in-aid disbursed by a grantor to a grantee shall be classified and accounted for as revenue expenditure irrespective of the purpose for which the funds disbursed as Grants-in-aid are to be spent by the grantee, except in cases where it has been specifically authorised by President on the advice of the Comptroller and Auditor General of India. It was noticed that there was booking of GIA as Capital expenditure during 2020-21 as shown in the table below.

Table 3.3: Extent of classification of GIA as Capital Expenditure

Item	(₹ in crore)
	2020-21
GIA booked as Capital Expenditure	61.59
Total Capital Expenditure	10,470.38
Share of GIA in Capital Expenditure (<i>In per cent</i>)	0.59
Revenue Deficit (-)/ Revenue Surplus (+)	(-)138.27
Revenue Deficit (-) /Revenue Surplus (+), if expenditure from GIA is treated as Revenue Expenditure	(-)199.86

Source: Finance Accounts

During the period 2020-21, the misclassification of GIA as Capital expenditure has resulted in understatement of Revenue Deficit by ₹61.59 crore.

3.7 Comments on transparency of Budgetary and Accounting Process

3.7.1 Lump Sum Budgetary Provisions

The Jammu and Kashmir Budget Manual envisages that “making of lump sum provisions if at all necessary, should be resorted to only in very rare cases. In short, inclusion of lump sum provisions in a budget has to be exceptional and not followed as a rule”. Lump sum provisions without identifying the exact object of expenditure is against transparency.

Audit noticed that lump sum budgetary provision of ₹7,596.38 crore which constitute 17 per cent of total provision of ₹45,535.59 crore of the grant was placed with Controlling Officers in Grant No. 08 (Finance Department) under three Major Heads as shown below instead of detailed head-wise/scheme-wise provisions in contravention of the provisions of J&K Budget Manual.

Table 3.4: Comments on transparency of budgetary and Accounting process
(₹ in crore)

Grant No.	Grant Name	MH	Provision	Expenditure	Total provision in the Grant	Percentage of lump sum provision to total provision of the Grant
8	Finance Department	2071-Pension and Other Retirement Benefits	7,297.29	8,008.92	45,535.59	17 per cent
		2030- Stamps & Registration	6.91	4.54		
		2049 - Interest Payments	292.18	1,052.96		
		Total	7,596.38	9,066.42		

3.8 Comments on effectiveness of Budgetary and Accounting Process

3.8.1 Budget projection and gap between expectation and actual

The total provision for expenditure during 2020-21 was ₹1,33,595.72 crore. The actual expenditure during the year was ₹96,786.29 crore (72 per cent). This resulted in savings of ₹36,809.94 crore during the period 2020-21. The summarised position of actual expenditure during 2020-21 against 35 grants/appropriations is given below:

Table 3.5: Summarised position of Actual Expenditure vis-à-vis Budget (Original/Supplementary) provisions during 2020-21.

(₹ in crore)

	Nature of expenditure	Original Grant/App.	Supplementary Grant/App.	Total	Actual expenditure	Net Saving (-) Excess(+)	Surrender during March 2021	
							Amount	per cent
Voted	I. Revenue	55,670.39	1,669.39	57,339.78	46,208.14	(-) 11,131.64	Nil	Nil
	II. Capital	34,408.04	8,399.20	42,807.24	10,487.22	(-) 32,320.02	Nil	Nil
	III. Loans & Advances	107.90	0.00	107.90	61.64*	(-)46.26	Nil	Nil
	Total	90,186.33	10,068.59	10,0254.92	56,757.00	(-) 43,497.92	Nil	Nil
Charged	IV. Revenue	6,993.48	-121.70	6,871.78	6,440.97	(-)430.81	Nil	Nil
	V. Capital	0.00	0.00	0.00	0.00	0.00	Nil	Nil
	VI. Public Debt- Repayment	25,948.18	520.85	26,469.03	33,563.32	7,094.29	Nil	Nil
	Total	32,941.66	399.15	33,340.81	40,004.29	6,663.48	Nil	Nil
Appropriation to Contingency Fund (if any)		0.00	0.00	0.00	25.00	25.00	Nil	Nil
	Grand Total	1,23,127.98	10,467.74	1,33,595.72	96,786.29	(-) 36,809.44	Nil	Nil

Source: Appropriation Accounts & * Finance Accounts Vol-1 (St.-7)

The savings in grants is indicative of over assessment of grants resulting in savings. Besides, excessive savings in some departments during the period is indicative of deprivation of other departments of the funds which they could have utilised and also non-surrender of funds (savings) is in contravention to the instructions of the J&K Budget Manual.

3.8.2 Rush of expenditure

Rule 62 (3) of the General Financial Rules 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, in respect of four grants, expenditure exceeding 50 per cent of total expenditure of the year has been incurred during March 2021 only and the percentage of expenditure ranged between 56 and 64 per cent of total expenditure. Similarly, in seven grants expenditure exceeding 50 per cent of total expenditure of the year has been incurred during the last quarter of the year and the percentage of expenditure ranged between 57 per cent and 76 per cent as detailed below:

Table 3.6: Grants with more than 50 per cent of expenditure in March alone

(₹ in crore)

Sl. No.	Grant No.	Grant Name	Expenditure				Total	Percent- age of expendi- ture in 4 th Qtr.	Expen- diture in March	Percent- age of expendi- ture in March
			1 st Qtr.	2 nd Qtr.	3 rd Qtr.	4 th Qtr.				
1.	3	Planning and Development Department	30.55	52.09	93.76	399.29	575.69	69.36	340.08	59.07
2.	19	Housing and Urban Development Department	415.74	21.36	218.35	869.11	1,524.56	57.01	851.79	55.87
3.	20	Tourism Department	20.98	27.66	31.85	106.49	186.98	56.95	84.51	45.20
4.	29	Transport Department	25.38	18.46	22.98	118.40	185.22	63.92	108.49	58.57
5.	30	Tribal Affairs Department	3.87	6.19	16.00	47.57	73.63	64.61	34.96	47.48
6.	32	Horticulture Department	27.07	32.26	48.75	189.60	297.68	63.69	129.85	43.62
7.	35	Science and Technology Department	2.40	2.63	3.02	25.67	33.72	76.13	21.64	64.18

Source: VLC Data

3.9 Review of selected Grants

A review of Budgetary Procedure and control over expenditure in test checked two grants (Grant No. 06: Power Development Department and Grant No. 08: Finance Department) out of 35 grants was undertaken and the audit observations are given in the following paragraphs.

3.9.1 Grant No: 06 - Power Development Department

Table 3.7: Excess/Saving under the Grant No. 6

(₹ in crore)

Sl. No.	Major Head		Budget Allocation			Expenditure booked	Excess/Saving
			Original Grant	Supplementary Grant	Total		
1	2801	Power	3,968.98	-201.27	3,767.71	2,812.84	-954.87
Total Revenue Voted			3,968.98	-201.27	3,767.71	2,812.84	-954.87
2	4801	Capital Outlay on Power Projects	3,522.90	10,110.74	13,633.65	589.57	-13,044.07
Total Capital Voted			3,522.90	10,110.74	13,633.64	589.57	-13,044.07
Total			7,491.88	9,909.47	17,401.35	3,402.41	-13,998.94

- (i) Against the total allocation of ₹17,401.35 crore under the Grant, an expenditure of ₹3,402.41 crore only was booked and an amount of ₹13,998.94 crore (80 per cent) remained unspent during the year which indicates that the department made unrealistic budget provisions during the year 2020-21 resulting in savings of ₹954.87 crore in Revenue Voted and ₹13,044.07 crore in Capital Voted section.
- (ii) Entire budget provision of ₹12,037.22 crore in eight Schemes (*Appendix 3.8*) remained unutilised resulting in denial of intended benefits to the general public.
- (iii) At the close of the year 2020-21, in 12 cases (*Appendix 3.9*) saving of ₹1,960.81 crore was not surrendered by the concerned department. The savings in grants is indicative of over assessment of grants resulting in savings and also non-surrender of funds (savings) is in contravention to the instructions of the Budget Manual.

3.9.2 Grant No: 08 - Finance Department

Table 3.8: Excess/Saving under Grant No. 8

(₹ in crore)

Sl. No.	Sector	Budget Allocation		Total Allocation	Expenditure booked	Excess/Saving
		Original Grant	Supplementary Grant			
1.	Revenue (Voted+Charged)	15,604.72	1,245.80	16,850.52	16,188.68	-661.84
2.	Capital (Voted+Charged)	31,147.50	-2,462.43	28,685.07	34,358.79	5,673.72
3	Appropriation to Contingency Fund	0.00	0.00	0.00	25.00	25.00
Total		46,752.22	-1,216.63	45,535.59	50,572.47	5,036.88

- (i) Against total allocation of ₹45,535.59 crore under the Grant, an expenditure of ₹50,572.47 crore was booked resulting into excess expenditure of ₹5,036.88 crore during the year 2020-21 which indicates that the department has made

unrealistic budget provisions resulting in saving of ₹661.84 crore in Revenue Voted/*Charged* and excess of ₹5,673.72 crore in Capital Voted/*charged* section. There is an excess expenditure of ₹25.00 crore on account of appropriation to Contingency Fund.

- (ii) An amount of ₹9,892.76 crore was incurred under 40 schemes/ Sub Heads (**Appendix 3.10**) without Budgetary Provisions during 2020-21 which needs to be regularised.
- (iii) Entire budget provision of ₹2,656.07 crore involving 14 No. of schemes as detailed in **Appendix 3.11** remained unutilised during the year resulting in denial of intended benefits to the general public.
- (iv) At the close of the year 2020-21, in 43 cases (**Appendix 3.12**), saving of ₹3,561.38 crore was not surrendered by the concerned department. The savings in grants is indicative of over assessment of grants resulting in savings and also non-surrender of funds (savings) is in contravention to the instructions of the Budget Manual.
- (v) Excess expenditure of ₹1,384.25 crore has been incurred in two schemes **Appendix 3.13** during the year 2020-21 which is required to be got regularised.

3.10 Conclusions

- The overall utilisation of budget was 27 *per cent* less than the total amount of grants and appropriations during the year 2020-21. Budgetary allocations were based on unrealistic proposals as out of total 35 grants, in 25 grants, savings were more than ₹100 crore in the capital section.
- Against the available provision of ₹1,00,254.92 crore under the Voted section, expenditure of ₹56,782.00 crore was incurred, resulting into saving of ₹43,472.92 crore whereas, against the provision of ₹33,340.81 crore under the *charged* section, expenditure of ₹40,004.29 crore was made, resulting into excess expenditure of ₹6,663.48 crore during 2020-21.
- An amount of ₹6,714.34 crore was incurred under 53 schemes/ Sub Heads in 16 Grants without Budgetary Provisions during 2020-21.
- Supplementary provisions aggregating ₹12,393.19 crore obtained in 11 cases, involving ₹50 lakh or more in each case during the year proved unnecessary as the expenditure did not come up to the level of the original provisions.
- In 34 grants, savings of Rupees ten crore and above were noticed as on 31st March 2021, which included 30 grants wherein savings of ₹100 crore and above were noticed.
- Entire budget provision of ₹18,134.91 crore under 25 Grants involving 139 No. of schemes remained unutilised during the year resulting in denial of intended benefits to the general public.

- Review of Grant No. 06- Power Development Department revealed that against budget/appropriation of ₹17,401.35 crore under the Grant, an expenditure of ₹3,402.41 crore only was booked and an amount of ₹13,998.94 crore remained unspent during 2020-21. This showed that budget estimates were made either unrealistically or department did not disburse the amount during the period and also the savings were not surrendered. Further, entire budget provision of ₹12,037.22 crore in eight Schemes remained unutilised resulting in denial of intended benefits to the general public.
- Review of Grant No. 08 – Finance Department revealed that against total allocation of ₹45,535.59 crore under the Grant, an expenditure of ₹50,572.47 crore was booked resulting into excess expenditure of ₹5,036.88 crore during the year 2020-21 which indicates that the department has made unrealistic budget provisions resulting in saving of ₹661.84 crore in Revenue Voted/*Charged* and excess of ₹5,698.72 crore in Capital Voted/*Charged* section.
- An amount of ₹9,892.76 crore was incurred under 40 schemes/ Sub Heads without Budgetary Provisions.
- Entire budget provision of ₹2,656.07 crore involving 14 No. of schemes remained unutilised during the year.
- In 43 cases, saving of ₹3,561.38 crore was not surrendered by the department.
- Excess expenditure of ₹1,384.25 crore was incurred in two schemes during the year 2020-21.

3.11 Recommendations

1. Government should be more realistic in its budgetary assumptions and ensure efficient control mechanisms to curtail savings/excess expenditure.
2. Excess expenditure over the approved grants may be regularised at the earliest.
3. Government may consider strengthening of financial monitoring to avoid rush of expenditure at fag end of the year.
4. Controlling Officers need to be made aware of their responsibility to explain the variation in expenditure from the allocation to facilitate proper analysis of budget and preparation of meaningful Appropriation Accounts.

