

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 are 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 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 2016-17 against 47 grants/appropriations was 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 (+)	Amount surrendered	Amount surrendered on 31 March 2017	Percentage of savings surrendered during the year
Voted	I Revenue	5,212.91	107.09	5,320.00	4,867.61	(-) 452.39	254.78	254.78	56.32
	II Capital	605.34	82.74	688.08	435.14	(-) 252.94	34.57	34.57	13.67
	III Loans and Advances	2.00	Nil	2.00	0.27	(-) 1.73	1.27	1.27	73.41
Total - Voted		5,820.25	189.83	6,010.08	5,303.02	(-) 707.06	290.62	290.62	41.10
Charged	IV Revenue	647.49	0.45	647.94	590.64	(-) 57.30	56.84	56.84	99.20
	V Capital	27.41	1.03	28.44	11.50	(-) 16.94	12.67	12.67	74.79
	VI Public Debt-Repayment	169.86	53.82	223.68	223.68	Nil	Nil	Nil	Nil
Total - Charged		844.76	55.30	900.06	825.82	(-) 74.24	69.51	69.51	93.63
Grand Total		6,665.01	245.13	6,910.14	6,128.84	(-) 781.30	360.13	360.13	46.09

(Source: Appropriation Accounts and Budget documents for 2016-17)

The overall savings of ₹ 781.30 crore was as a result of savings of ₹ 509.69 crore in 31 grants and 12 appropriations under Revenue section, ₹ 269.08 crore in eight grants and seven appropriations under Capital section and ₹ 1.73 crore in two grants under Loan section. The overall savings worked out to 11.31 per cent of total provision including supplementary provision made against the respective grants in 2016-17.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriations vis-à-vis allocative priorities

During 2016-17, savings of more than ₹ 10 crore occurred in each case (13 grants) under capital and revenue heads amounting to ₹ 622.97 crore (79.74 per cent of total savings of ₹ 781.30 crore). The percentage of savings ranged between one and 62 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	Supplementary	Total	Actual Expenditure	Savings	Percentage
Revenue-Voted							
1	06 - Revenue and Food	217.51	0.00	217.51	134.50	83.01	38.16
2	09 - Secretariat	54.47	0.00	54.47	29.87	24.60	45.17
3	10 - District Administration	204.14	0.00	204.14	152.09	52.05	25.50
4	12 - Police	214.41	0.00	214.41	200.64	13.77	6.42
5	16 - Public Works	136.88	6.58	143.46	129.23	14.23	9.92
6	17 - Education	872.60	0.00	872.60	781.70	90.90	10.42
7	18 - Medical	509.75	0.00	509.75	485.91	23.84	4.68
8	21 - Social Welfare	661.77	11.46	673.23	643.93	29.30	4.35
9	22 - Co-operation	37.30	0.00	37.30	25.89	11.41	30.59
10	24 - Agriculture	109.09	0.00	109.09	86.16	22.93	21.02
11	27 - Community Development	41.64	0.00	41.64	23.68	17.96	43.12
12	29 - Electricity	1,179.43	60.37	1,239.79	1,228.72	11.07	0.89
	Total	4,238.99	78.41	4,317.39	3,922.32	395.07	240.24
Capital-Voted							
13	16 - Public Works	369.73	80.74	450.47	282.16	168.32	37.36
14	32 - Building Programmes	96.15	0.00	96.15	36.59	59.56	61.94
	Total	465.88	80.74	546.62	318.75	227.88	99.30
	Grand Total	4,704.87	159.15	4,864.01	4,241.07	622.95	339.54

(Source: Appropriation Accounts for 2016-17)

It was noticed that in 188 cases (sub-heads), 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 43 out of the 188 cases, no expenditure was incurred against the provision of ₹ 170.17 crore.

2.3.2 Persistent savings

In 23 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 2012-17

(₹ in crore)

Sl. No.	Number and name of the Grant		Amount of savings				
			2012-13	2013-14	2014-15	2015-16	2016-17
Revenue - Voted							
1	01	Legislative Assembly	2.12	1.03	2.36	2.86	1.72
2	06	Revenue and Food	847.80	2.98	12.57	26.56	83.01
3	08	Transport	2.99	4.78	0.83	1.14	1.73
4	09	Secretariat	1.85	16.07	5.88	24.92	24.60
5	10	District Administration	222.83	61.34	202.92	98.09	52.05
6	11	Treasury and Accounts Administration	0.42	0.98	0.43	0.46	0.28
7	12	Police	51.42	15.77	8.44	15.09	13.77
8	13	Jails	1.24	0.23	0.65	4.17	0.77
9	16	Public Works	113.37	9.73	4.73	20.69	14.23
10	17	Education	128.62	32.33	12.70	140.81	90.90
11	18	Medical	126.73	1.91	2.05	74.01	23.84
12	19	Information and Publicity	122.78	5.18	4.62	7.37	9.40
13	20	Labour and Employment	3.06	1.60	2.38	4.66	1.05
14	21	Social Welfare	144.72	5.45	10.84	31.13	29.30
15	22	Co-operation	24.26	1.60	0.15	2.76	11.41
16	23	Statistics	1.31	1.35	1.00	1.30	0.56
17	24	Agriculture	50.94	12.06	45.33	33.30	22.93
18	25	Animal Husbandry	8.09	2.09	2.70	8.11	5.91
19	27	Community Development	4.21	0.47	19.40	20.81	17.96
20	28	Industries	32.33	5.00	0.62	5.78	6.97
21	29	Electricity	39.30	169.96	189.98	60.76	11.07
22	32	Building Programmes	22.21	0.78	4.92	7.42	7.02
Total			1,952.60	352.69	535.50	592.20	430.48
Capital - Voted							
23	16	Public Works	62.27	64.10	32.77	83.94	168.32
24	29	Electricity	41.37	6.02	16.89	48.38	4.35
25	30	Ports and Pilotage	0.78	0.40	4.98	7.94	0.83
26	32	Building Programmes	70.19	38.67	31.23	53.45	59.56
Total			174.61	109.19	85.87	193.71	233.06

(Source: Appropriation Accounts of respective years)

2.3.3 Excess expenditure

In 16 sub-heads, expenditure aggregating ₹ 97.17 crore exceeded the original provision by ₹ 50 lakh or more in each case and by more than 20 *per cent* of the total provision, resulting in excess expenditure of ₹ 57.63 crore (**Appendix 2.2**), which was a serious irregularity.

Excess of expenditure over appropriation was in contravention to the provisions requiring legislative sanction and was indicative of bad planning.

2.3.4 Excessive/unnecessary re-appropriation of funds

Re-appropriation was transfer of funds within a grant from one unit of appropriation, where savings were anticipated, to another unit where additional funds were needed. It was noticed that during 2016-17, re-appropriation order was issued on 31 March 2017 for ₹ 324.20 crore. Issue of re-appropriation order at the fag end of 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 provision in the respective heads. The re-appropriations made were proved unnecessary or excessive in 131 sub-heads as detailed in **Appendix 2.3 - Part A**. As a result, expenditure of ₹ 1.22 crore was incurred (**Appendix 2.3 - Part B**) in three cases without any provision. In respect of 15 cases, no expenditure was incurred resulting in saving of ₹ 94.62 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 98 sub-heads on account of either non-implementation or slow implementation of the schemes/programmes (**Appendix 2.4**). Out of the total provision of ₹ 176.62 crore in these sub-heads, ₹ 144.72 crore (82 *per cent*) was surrendered and in respect of 34 sub-heads, entire provision (₹ 24.69 crore) was surrendered.

2.3.6 Anticipated savings not surrendered

Out of total savings of ₹ 781.30 crore, an amount of ₹ 360.13 crore was surrendered on 31 March 2017. It was noticed that in respect of 19 grants/appropriations, with saving of ₹ 649.50 crore (saving of ₹ one crore and above), ₹ 351.57 crore (45 *per cent* of total 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 76 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 2017. This included 36 sub-heads under which the entire expenditure was made during March 2017.

We observed that during the last quarter of 2016-17, the Government incurred an expenditure of ₹ 118.36 crore (87.89 *per cent*) in respect of 76 sub-heads of which, ₹ 115.77 crore (87.97 *per cent*) alone was spent in March 2017. Uniform flow of expenditure, which was 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

The total provision under Centrally Sponsored Schemes after re-appropriation stood at ₹ 343.25 crore in 98 sub-heads. Out of this, in respect of 70 sub-heads, in which there were provision of ₹ 328.07 crore, ₹ 185.59 crore (56.57 *per cent*) only was spent. It was noticed that the expenditure was less than 50 *per cent* of the provision in respect of 19 sub-heads, while no expenditure was incurred in respect of 28 sub-heads, in which there were provision of ₹ 15.17 crore.

2.4 Comment on budgetary control

A review of the budgetary procedure and control of expenditure followed in in Grant 17 – Education, revealed the following:

2.4.1 Excess release of Grant-in-Aid

Rules 32 and 33(1) of Pondicherry School Education Rules, 1996 (Rules) provided for release of Grant-in-Aid (GIA) to aided schools, towards staff grant, pension and other retirement benefits, at the rate of 95 *per cent* of the difference between the recurring expenditure and the income from fees. In UT, there were 35 Government aided schools, of which, 12 schools did not collect fees and hence eligible for full grant. The remaining 23 schools collected fees and were eligible for only 95 *per cent* of the difference between recurring expenditure and income from fees as GIA.

Scrutiny of the records revealed that during 2016-17, these 23 schools earned an income of ₹ 0.57 crore as fee. UT Government failed to consider that income and released GIA of ₹ 26.88 crore to those schools towards entire expenditure on staff grant, pension and other retirement benefits for the year

2016-17. However, when the Education Department, directed (August 2016) the schools to remit the fees collected into Government account, only one school remitted (₹ 0.02 crore) while the remaining 22 schools did not remit the fee income of ₹ 0.55 crore. Thus, UT Government did not restrict GIA to the extent as provided in the Rules resulting in excess release of GIA to the tune of ₹ 0.55 crore for the year 2016-17.

2.4.2 Diversion of Special Component Plan fund

UT Government released (September 2016) ₹ 1.50 crore as GIA to Pondicherry Engineering College (PEC) under Special Component Plan (SCP) for various developmental activities such as training/coaching, soft skill development, campus placement remedial classes, creation of e-learning materials and creation of Management Information System for the benefit of scheduled caste students. The condition for release was that GIA was to be utilised in a time bound manner and in any case not later than three months from the closure of the financial year. PEC, however, did not incur expenditure for the intended purpose until February 2017 and diverted the amount to meet the salary expenditure of PEC staff for the month of February 2017. Thus, the intended objective of SCP was not achieved besides diversion of plan funds in contravention to the conditions of release of Grant-in-aid.

2.5 Conclusion

During 2016-17, expenditure of ₹ 6,128.84 crore was incurred against total grants and appropriations of ₹ 6,910.14 crore, resulting in overall savings of ₹ 781.30 crore (11.31 per cent). In 43 cases, where savings exceeded ₹ 50 lakh in each case and by more than 20 per cent of the total provision, no expenditure was incurred against the provision of ₹ 170.17 crore. There were persistent savings of more than ₹ 10 lakh in 23 grants during 2012-17. In 16 cases, the expenditure exceeded the original provision, resulting in excess expenditure of ₹ 57.63 crore. Out of total anticipated savings of ₹ 649.50 crore in 19 grants, ₹ 351.57 crore was not surrendered.

2.6 Recommendations

Government may consider issuing instructions to all the Departments to ensure surrender of unutilised allocations as soon as they are foreseen so that the funds can be allocated to other Departments requiring these.

Instances of excess of expenditure over appropriation, which was a serious irregularity and against the provisions requiring legislative sanction, needs to be checked in future.