



FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

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The Comptroller and Auditor General of India performs the audit of appropriations to ascertain whether the expenditure actually incurred under various grants underlying the budget is within authorisations given under the Appropriation Act for the year, expenditure required to be charged under provisions of the Constitution is so charged, and whether, expenditure is incurred in conformity with the law, relevant rules, regulations and instructions.

2.1 Summary of Appropriation Accounts

Uttar Pradesh Budget Manual stipulates that all final savings must be surrendered by Controlling Officers to the Finance Department by 25 March. Officers making belated surrenders will be held responsible if the Finance Department is not able to accept such surrender.

The summarised position of actual expenditure during 2017-18 against the provision made under 93 grants/appropriations is given in **Table 2.1**.

Table 2.1: Summarised position of Actual Expenditure, against provision

(₹ in crore)

Nature of expenditure		Total Grant/ Appropriation	Actual Expenditure	Savings(-) /Excess(+)	Amount surrendered	Amount surrendered on 31 March 2018	Percentage of savings surrendered by 31 March 2018
	1	2	3	4	5	6	Col.5/ Col.4
Voted	I- Revenue	2,85,769.12	2,26,083.41	(-)59,685.71	44,360.90	44,360.90	74
	II -Capital	72,444.36	50,464.12	(-)21,980.24	10,376.48	10,376.48	47
	III -Loans and Advances	2,529.24	1,509.29	(-) 1,019.95	562.52	562.52	55
	Total Voted	3,60,742.72	2,78,056.82	(-)82,685.90	55,299.90	55,299.90	67
Charged	IV -Revenue	45,916.47	41,805.71	(-)4,110.76	2,435.98	2,435.98	59
	V- Capital	16.81	11.99	(-)4.82	00	00	0
	VI- Public Debt-Repayment	21,969.12	15,002.10	(-)6,967.02	0.72	0.72	0
	Total Charged	67,902.40	56,819.80	(-)11,082.60	2,436.70	2,436.70	22
Grand Total		4,28,645.12	3,34,876.62	(-)93,768.50	57,736.60	57,736.60	62
Note: Figures of actual expenditure includes recoveries adjusted as reduction of expenditure under voted revenue expenditure (₹ 1,665.60 crore) and voted capital expenditure (₹11, 388.12 crore).							

(Source: Appropriation Accounts, Finance Accounts and Budget documents 2017-18)

Overall savings of ₹ 93,768.50 crore was the result of savings of ₹ 95,349.48 crore in 127 cases of grants/appropriations under revenue section and 78 cases of grants/appropriations under capital section including loan section (public debt-repayments), offset by excess of ₹ 1,580.98 crore in four grants/

appropriations under revenue section and three grants/appropriations under capital section.

The fact that as much as 38 *per cent* savings (amounting to ₹ 36,031.90 crore) was allowed to lapse at the end of the year and the remaining savings of ₹ 57,736.60 crore (62 *per cent*) was surrendered on the last day of the financial year 2017-18 without being available to the Finance Department for re-appropriation to other purposes makes it evident that the Finance Department exercised very little financial control.

Recommendation: *The Finance Department should monitor trend of expenditure by Departmental Controlling Officers, so that funds are not retained unnecessarily and are surrendered at the earliest, without resorting to last minute surrenders and lapse of allocations.*

2.2 Financial Accountability and Budget Management

2.2.1 Excess Expenditure requiring regularisation

There was an excess disbursement of ₹ 1,337.17 crore over the authorisation made by the State Legislature under two grants and two appropriations during the financial year 2017-18 (**Appendix 2.1 A**). Excess disbursements of ₹ 29,648.64 crore under 96 grants and 40 appropriations pertaining to the years 2005-06 to 2016-17 are yet to be regularised by the State Legislature (**Appendix 2.1 B**). This is in violation of Articles 204 and 205 of the Constitution which provides that no money shall be withdrawn from the Consolidated Fund except under appropriation made by Law by the State Legislature. This vitiates the system of budgetary and financial control and encourages financial indiscipline in management of public resources.

Additionally, it is of special interest to note that the Finance Department itself failed to maintain financial discipline as excess expenditure of ₹ 1,311.10 crore under superannuation allowances and pension (grant number 62-Superannuation Allowances and Pension) was incurred during the year without authorisation of State Legislature. These failures are compounded by the fact that similar irregularities have regularly been reported in previous CAG Reports, but no effective steps have been taken by the Finance Department and concerned budget controlling officers.

Recommendation: *The State Government should ensure that all the existing cases of excess disbursement are placed before the State Legislature for regularisation at the earliest. State Government should examine the reasons for excess disbursements and fix responsibility. Further, Treasury Officers should be directed not to pass expenditure beyond budget provision and in future such excess expenditure may be completely stopped.*

2.2.2 Savings

Savings of ₹ 92,681.47 crore occurred in 58 cases relating to 40 grants/appropriations exceeding ₹ 100 crore in each case as detailed in *Appendix 2.2*.

Further, out of above 58 cases, there were 16 cases, where savings exceeds ₹ 1,000 crore in each case. In six out of these 16 cases, savings exceed ₹ 1,000 crore during 2016-17 also as detailed in **Table 2.2**.

Table 2.2: Grants indicating savings more than ₹ 1,000 crore during 2016-17 and 2017-18

Sl. No.	Grant no.	Name of the grant	Savings during	
			2016-17	2017-18
1.	13	Agriculture and Other Allied Departments (Rural Development) -Capital Voted	3,300.96	5,179.06
2.	37	Urban Development Department – Revenue Voted	2,751.47	5,574.84
3.	49	Women and Child Welfare Department – Revenue Voted	1,106.73	2,247.92
4.	71	Education Department (Primary Education)- Revenue Voted	2,414.62	17,493.77
5.	83	Social Welfare Department (Special Component Plan for Scheduled Castes)- Revenue Voted	1,704.21	5,573.74
6.		Social Welfare Department (Special Component Plan for Scheduled Castes)- Capital Voted	2,477.98	1,637.34

(₹ in crore)

(Source: Appropriation Accounts 2016-17 and 2017-18)

It was further noticed that in 26 cases involving 20 grants, there were persistent savings (₹ 100 crore and above) ranging between ₹ 100.12 crore and ₹ 17,493.77 crore during the preceding five years as detailed in *Appendix 2.3*. Large savings is indicative of poor budgeting or shortfall in performance or both, in respect of concerned scheme being implemented by the Department.

Recommendation: *The Finance Department should review the reasons for non-utilisation of the provisions under various schemes and take steps to make more judicious provisions in future years.*

2.2.3 Unnecessary/inadequate supplementary provision

During 2017-18, in 56 cases, supplementary provisions amounting to ₹ 6,098.04 crore (₹ one crore or more in each case) proved unnecessary as the expenditure was not even up to the level of the original provision as detailed in *Appendix 2.4*.

2.2.4 Excess/ unnecessary re-appropriation of funds

Despite re-appropriation, there was a savings of ₹ 781.80 crore in 119 sub-heads involving 42 grants and excess of ₹ 852.75 crore in 59 sub-heads involving 31 grants indicating injudicious re-appropriation without assessing actual requirements (*Appendix 2.5*).

2.2.5 Substantial surrenders

During 2017-18, substantial surrenders (50 *per cent* or more of the total provision) amounting to ₹ 25,181.03 crore (81 *per cent* of total provision of ₹ 31,239.80 crore) were made in 201 sub-heads, which included 100 *per cent* surrenders in 84 schemes/ programmes (₹ 4,167.01 crore) as detailed in *Appendix 2.6*. Such substantial surrenders indicated that either the budgeting was done without due prudence or there were serious slippages in programme implementation.

2.2.6 Surrender in excess of actual savings

In 10 cases involving nine grants (₹ 50 lakh or more in each case) as against savings of ₹ 25,686.79 crore, ₹ 25,927.80 crore was surrendered resulting in excess surrender of ₹ 241.01 crore during 2017-18 as detailed in *Appendix 2.7*. Such surrenders in excess of actual savings indicated that the departments did not exercise adequate budgetary controls by watching flow of expenditure through monthly expenditure statements.

Recommendation: The Government should ensure that excessive, unnecessary supplementary provisions and injudicious surrenders are avoided.

2.2.7 Anticipated savings not surrendered

As per U.P. Budget Manual, spending departments are required to surrender grants/ appropriations or portion thereof to the Finance Department as and when savings are anticipated. All final savings must be surrendered to the Finance Department by 25 March. At the end of 2017-18, though savings of ₹ 19,653.58 crore occurred in 81 cases of grants/ appropriations, no part of it was surrendered by the spending departments (*Appendix 2.8*).

Similarly, out of savings of ₹ 67,808.40 crore in 120 cases (savings of ₹ one crore and above in each case), an amount of ₹ 37,842.25 crore (56 *per cent*) was not surrendered (*Appendix 2.9*). This is indicative of inadequate financial control and resultant blocking of funds.

2.2.8 Misclassification of expenditure

Revenue expenditure is recurring in nature and is intended to be met from revenue receipts. Further, as per Indian Government Accounting Standard-2 (IGAS-2), expenditure on grants-in-aid is recorded as revenue expenditure in the books of the grantor and as revenue receipt in the books of recipient. Capital expenditure is defined as expenditure incurred with the object of increasing concrete assets of a material of permanent character, or of reducing recurring liabilities.

However, during 2017-18, the State Government made budget provision and booked expenditure on 'minor construction works' amounting to

₹ 47.71 crore, 'payment for commercial and special services' amounting to ₹ 1.41 crore, 'maintenance of computers, purchase of related stationery' amounting to ₹ 0.16 crore and 'subsidiary grant for capital expenditure' amounting to ₹ 0.40 crore as capital expenditure, whereas it should be booked as revenue expenditure. These overstates the revenue surplus by ₹ 49.68 crore.

On the other hand, expenditure of ₹ 64.37 crore for essential infrastructure for hospitals and expenditure of ₹ 49.57 crore for purchase of staff car was booked as revenue expenditure instead of capital expenditure, which understates the revenue surplus by ₹ 113.94 crore.

Thus, the above misclassification understated the revenue surplus of the State by ₹ 64.26 crore.

2.2.9 Advances from the Contingency Fund - Not recouped

Under the provisions of U.P. Contingency Fund Act, 1950, State Government maintains Contingency Fund with a corpus amount of ₹ 600 crore. As per the Uttar Pradesh Contingency Fund Rules, 1962, advances from the Fund shall be made only to meet unforeseen and emergent expenditure, pending its authorisation by the Legislature following which, it is recouped.

As on 31 March 2018, the amount of ₹ 463.08 crore drawn from the Contingency Fund remained unrecouped, which included previous year's unrecouped balances of ₹ 300 crore. During the year 2017-18, ₹ 413 crore was disbursed, out of which the advances of ₹ 125 crore drawn during the year 2017-18 for loan to U.P. Cooperative Sugar Mills Federation Limited was to be recouped from the supplementary budget of 2018-19. As against the remaining outstanding advance of ₹ 288 crore drawn during the year 2017-18, only ₹ 249.92 crore was recouped till 31 March 2018.

It was further observed that State Government had drawn advance of ₹ 300 crore during the year 2016-17 for payment of salary and pensionary benefits to the employees of U.P. Jal Nigam, which was to be recouped by provision of fund under Grant No. 37- Urban Development Department. The non-recoument of this advance till 31 March 2017 was reported in the Audit Report No. 1 of 2018. However, State Government had not recouped this amount to the Contingency Fund till 31 March 2018.

Recommendation: *The State Government should ensure timely recoument of advances taken from the Contingency Fund.*

