

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 2015-16 against 42 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 (+)	Amount surrendered	Amount surrendered on 31 March	Percentage of savings surrendered by 31 March
Voted	I Revenue	5,073.88	255.09	5,328.97	4,725.69	(-) 603.28	353.46	353.46	58.59
	II Capital	629.47	3.35	632.82	422.16	(-) 210.66	103.10	103.10	48.94
	III Loans and Advances	2.00	Nil	2.00	1.31	(-) 0.69	0.55	0.55	79.71
Total - Voted		5,705.35	258.44	5,963.79	5,149.16	(-) 814.63	457.11	457.11	56.11
Charged	IV Revenue	524.65	37.80	562.45	559.60	(-) 2.85	0.77	0.77	27.02
	V Capital	Nil	17.38	17.38	16.96	(-) 0.42	Nil	Nil	Nil
	VI Public Debt- Repayment	220.00	Nil	220.00	168.75	(-) 51.25	51.24	51.24	99.98
Total - Charged		744.65	55.18	799.83	745.31	(-) 54.52	52.01	52.01	95.58
Grand Total		6,450.00	313.62	6,763.62	5,894.47	(-) 869.15	509.12	509.12	58.58

(Source: Appropriation Accounts and Budget documents for 2015-16)

The overall savings of ` 869.15 crore was result of savings of ` 606.13 crore in 31 grants and 12 appropriations under Revenue Section, ` 211.08 crore in 11 grants and six appropriations under Capital Section and ` 51.94 crore in two grants and one appropriation under Loan Section. The overall savings worked out to 12.85 *per cent* of total provision including supplementary provision made against the respective grants in 2015-16.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriations vis-à-vis Allocative Priorities

During 2015-16, savings of more than ` 10 crore occurred in each case (12 grants) under capital and revenue heads amounting to ` 731.93 crore (84.21 *per cent* of total savings of ` 869.15 crore). The percentage of savings ranged between 5 and 60 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	182.89	112.77	295.65	269.09	26.56	8.98
2	09 - Secretariat	56.89	0.00	56.89	31.97	24.92	43.80
3	10 - District Administration	279.16	0.00	279.16	181.07	98.09	35.14
4	12 - Police	189.33	0.00	189.33	174.24	15.09	7.97
5	16 - Public Works	163.68	0.00	163.68	142.99	20.69	12.64
6	17 - Education	835.49	0.00	835.49	694.68	140.81	16.85
7	18 - Medical	552.34	0.00	552.34	478.33	74.01	13.40
8	21 - Social Welfare	629.67	16.81	646.48	615.35	31.13	4.82
9	24 - Agriculture	144.28	0.00	144.28	110.98	33.30	23.08
10	27 - Community Development	41.21	8.62	49.83	29.02	20.81	41.76
11	29 - Electricity	1,163.76	0.00	1,163.76	1,103.00	60.76	5.22
	Total	4,238.70	138.20	4,376.89	3,830.72	546.17	12.48
Capital-Voted							
12	16 - Public Works	393.86	0.00	393.86	309.92	83.94	21.31
13	29 - Electricity	105.19	0.00	105.19	56.82	48.37	45.98
14	32 - Building Programmes	97.92	0.00	97.92	44.47	53.45	54.59
	Total	596.97	0.00	596.97	411.21	185.76	31.12
	Grand Total	4,835.67	138.20	4,973.86	4,241.93	731.93	14.72

(Source: Appropriation Accounts for 2015-16)

It was noticed that in 246 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 74 out of the 246 cases, no expenditure was incurred against the provision of ₹ 268.76 crore.

2.3.2 Persistent savings

In 22 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 2011-16

(` in crore)

Sl. No.	Number and name of the Grant		Amount of savings				
			2011-12	2012-13	2013-14	2014-15	2015-16
	Revenue - Voted						
1	01	Legislative Assembly	1.00	2.12	1.03	2.36	2.86
2	06	Revenue and Food	2.98	847.80	2.98	12.57	26.56
3	08	Transport	20.89	2.99	4.78	0.83	1.14
4	09	Secretariat	15.37	1.85	16.07	5.88	24.92
5	10	District Administration	214.82	222.83	61.34	202.92	98.09
6	12	Police	29.76	51.42	15.77	8.44	15.09
7	13	Jails	1.35	1.24	0.23	0.65	4.17
8	16	Public Works	2.73	113.37	9.73	4.73	20.69
9	17	Education	82.45	128.62	32.33	12.70	140.81
10	18	Medical	70.68	126.73	1.91	2.05	74.01
11	19	Information and Publicity	72.56	122.78	5.18	4.62	7.37
12	20	Labour and Employment	1.82	3.06	1.60	2.38	4.66
13	21	Social Welfare	78.34	144.72	5.45	10.84	31.13
14	22	Co-operation	4.48	24.26	1.60	0.15	2.76
15	23	Statistics	0.93	1.31	1.35	1.00	1.30
16	24	Agriculture	39.63	50.94	12.06	45.33	33.30
17	25	Animal Husbandry	13.28	8.09	2.09	2.70	8.11
18	27	Community Development	1.67	4.21	0.47	19.40	20.81
19	28	Industries	1.70	32.33	5.00	0.62	5.78
20	29	Electricity	20.25	39.30	169.96	189.98	60.76
21	32	Building Programmes	9.15	22.21	0.78	4.92	7.42
	Total		685.84	1952.18	351.71	535.07	591.74
	Capital - Voted						
22	16	Public Works	342.39	62.27	64.10	32.77	83.94
23	29	Electricity	78.82	41.37	6.02	16.89	48.38
24	30	Ports and Pilotage	0.25	0.78	0.40	4.98	7.94
25	32	Building Programmes	76.59	70.19	38.67	31.23	53.45
	Total		498.05	174.61	109.19	85.87	193.71

(Source: Appropriation Accounts of respective years)

2.3.3 Excess expenditure

In 43 sub-heads, expenditure aggregating ` 423.46 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 ` 161.93 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 were anticipated, to another unit where additional funds are needed. It was noticed that during 2015-16, re-appropriation order was issued on 31 March 2016 for ` 385.44 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. As a result, expenditure of ` 2.97 crore was incurred (**Appendix 2.3 - Part B**) in 17 cases without any provision. Further, the re-appropriations made were proved unnecessary or excessive in 88 sub-heads as detailed in **Appendix 2.3 - Part A**. Out of this, in respect of 30 cases, no expenditure was incurred resulting in saving of ` 72.93 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 119 sub-heads on account of either non-implementation or slow implementation of the schemes/programmes (**Appendix 2.4**). Out of the total provision of ` 277.27 crore in these 119 sub-heads, ` 227.36 crore (82 *per cent*) was surrendered and in respect of 28 sub-heads, entire provision (` 32.97 crore) was surrendered.

2.3.6 Anticipated savings not surrendered

Out of total savings of ` 869.15 crore, an amount of ` 509.12 crore was surrendered on 31 March 2016. It was noticed that in respect of six grants/appropriations, which had a saving of ` 235.73 crore (saving of ` one crore and above), an amount of ` 145.92 crore (16.79 *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 73 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 2016.

We observed that during the last quarter of 2015-16, the Government had incurred an expenditure of ` 194.87 crore (84.39 *per cent*) in respect of 73 sub-heads of which ` 188.27 crore (81.53 *per cent*) alone was spent in March 2016. 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

The total provision under Centrally Sponsored Schemes (CSS) after re-appropriation stood at ` 295.96 crore in 134 sub-heads. Out of this, in respect of 78 sub-heads, which had a provision of ` 250.01 crore, ` 131.85 crore (52.74 *per cent*) alone was spent. It was noticed that the expenditure was less than 50 *per cent* of the provision in respect of 39 sub-heads, while no expenditure was incurred in respect of 56 sub-heads, which had provision of ` 49.75 crore.

2.4 Comment on budgetary control

A review of the budgetary procedure and control of expenditure followed in in Grant 25 – Animal Husbandry revealed the following failures:

2.4.1 Funds drawn and kept under deposit to avoid lapse of budget

As per rule 100 (2) of Receipts and Payments Rules, “No money should be drawn from Government account unless it is required for immediate disbursement. It is not permissible to draw money from Government Account in anticipation of demand or to prevent the loss of Budget grants”. A sum of ` 40.90 lakh was remitted (February 2016 and March 2016) into the Head of Account - 8443.800 Other Deposits.

Scrutiny of records revealed that an amount of ` 12.25 lakh was drawn (February 2016) by the Department for the scheme, ‘Distribution of turkey poultries to Below Poverty Line farmers under 50 *per cent* subsidy for backyard meat production’ and an amount of ` 28.65 lakh was drawn (February and March 2016) for the scheme, ‘Distribution of 18 week layer pullets² for egg production at backyards’.

An expenditure of ` 13.32 lakh was incurred (February 2016) and the balance of ` 27.58 lakh was lying unutilised (October 2016) under deposit head, which was booked as expenditure under the scheme ‘Distribution of 18 week pullets for egg production at backyards’ during 2015-16.

² Pullets – Young hens, especially less than one year old

We observed that the budget proposal for the scheme on distribution of turkey poultries was sent in November 2015, for which expenditure sanction was accorded only in March 2016 i.e., after a delay of four months, on account of which, the balance amount of ` 27.58 lakh drawn under the two schemes was kept in deposit account to avoid lapse of budget.

On this being pointed out, the Department replied (November 2016) that the Department had not utilised the amount since election code of conduct was in vogue.

2.4.2 Allocated funds not fully utilised

An allocation of ` 37.48 lakh was made in the Budget which was enhanced to ` 97.48 lakh by re-appropriation under the scheme, ‘Veterinary Health Services, Medical Stores and Vaccine depot, Animal Disease Diagnostics and Intelligence unit under other charges for Puducherry and Karaikal Region’.

Scrutiny of records revealed that the tender formalities were finalised only in March 2016. The Department had incurred an expenditure of ` 37.28 lakh during the year, resulting in savings of ` 60.20 lakh as of March 2016. On being pointed out, the Department stated that matter was referred to Election Department for further clearance for which the Election Department had concurred for drawal of the amount and the Finance Department had returned the proposal in view of the cash flow position.

The reply was not correct since there was delay in initiation of tender process itself due to which, an amount of ` 60.20 lakh was neither utilised nor surrendered.

2.4.3 GOI funds lying unutilised for more than one year

Ministry of Agriculture, GOI had issued instructions (May 2014) regarding removal of the para on “Earnest Money Deposit” and “Performance Guarantee Bond” in the tender document and instructed that the respective States/UT Governments were advised to strictly adhere to the model tender document.

An amount of ` 24.60 lakh was released (December 2014) by the Government of India under the ‘National Livestock Mission Risk Management and Insurance Scheme’. The Department proposed to insure 2,500 animals under risk management module. An expenditure of ` 2.63 lakh was incurred towards advertisement charges and the balance ` 21.97 lakh remained unutilised for more than a year.

Scrutiny of records revealed that guidelines for the scheme were notified (July 2015) and tender was floated in October 2015. Tenders were called for and three tenderers had submitted the bid without the earnest money deposit along with their bid. The Department was not in a position to finalise the tender on this account and the matter was taken up with the Law Department.

On being pointed out, the Department stated that guidelines had been issued (May 2014) by GOI exempting the EMD clause and the Department was not aware of the same. The failure of the Department to take note of the GOI instructions regarding exemption of EMD clause in the tender document when the tenders were called for (November 2015) resulted in non-utilisation of GOI funds.

2.5 Conclusion

During 2015-16, expenditure of ` 5,894.47 crore was incurred against total grants and appropriations of ` 6,763.62 crore, resulting in overall savings of ` 869.15 crore (12.85 *per cent*). In 74 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 ` 268.76 crore. There were persistent savings of more than ` 10 lakh in 22 grants during 2011-16. In 43 cases, the expenditure exceeded the original provision, resulting in excess expenditure of ` 161.93 crore. Out of total anticipated savings of ` 235.73 crore in six grants, ` 145.92 crore was not surrendered.

2.6 Recommendation

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 could be allocated to other Departments requiring funds.