

CHAPTER II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

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 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 2009-10 against 41 grants/appropriations was as 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	Saving (-)/ Excess (+)
Voted	I Revenue	2,892.21	406.72	3,298.93	2,808.32	-490.61
	II Capital	782.07	22.71	804.78	396.68	-408.10
	III Loans and Advances	25.97	0.00	25.97	2.17	-23.80
Total Voted		3,700.25	429.43	4,129.68	3,207.17	-922.51
Charged	IV Revenue	301.61	0.40	302.01	289.97	-12.04
	V Capital	--	--	--	--	--
	VI Public Debt-Repayment	131.14	0.00	131.14	131.14	0.00
Total Charged		432.75	0.40	433.15	421.11	-12.04
Grand Total		4,133.00	429.83	4,562.83	3,628.28	- 934.55

(Source : Appropriation Accounts and Budget documents of the Government of Union Territory of Puducherry)

The overall savings of ₹ 934.55 crore was the result of savings of ₹ 501.10 crore in 30 grants and seven appropriations under the Revenue Section and ₹ 432.64 crore in 10 grants and one appropriation under the Capital Section and ₹ 0.81 crore in one grant under the Loan Section.

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 ₹ 871.98 crore (93.30 per cent of total savings of ₹ 934.55 crore) occurred in 10 grants as indicated in **Table 2.2**.

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
Revenue-Voted						
1.	6 - Revenue and Food	167.38	--	167.38	114.31	53.07
2.	9 - Secretariat	39.76	--	39.76	24.04	15.72
3.	10 - District Administration	330.58	--	330.58	205.10	125.48
4.	19 - Information and Publicity	83.33	--	83.33	24.88	58.45
5.	21 - Social Welfare	429.62	7.79	437.41	291.18	146.23
6.	28 - Industries	69.05	--	69.05	27.11	41.94
	Total	1,119.72	7.79	1,127.51	686.62	440.89
Capital-Voted						
7.	16 - Public Works	377.36	--	377.36	186.54	190.82
8.	22 - Co-operation	56.13	--	56.13	17.13	39.00
9.	29 - Electricity	164.91	--	164.91	63.15	101.76
10.	32 - Building Programmes	158.90	--	158.90	59.39	99.51
	Total	757.30	--	757.30	326.21	431.09
	Grand Total	1,877.02	7.79	1,884.81	1,012.83	871.98

(Source : Appropriation Accounts of the Government of Union Territory of Puducherry)

It was noticed that in 200 cases, savings exceeded ₹ 50 lakh in each case or by more than 20 per cent of the total provision (**Appendix 2.1**). Shortfall in

availing of negotiated loans for funding Plan schemes resulted in non-implementation of schemes under various sectors.

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 indicating Persistent Savings during 2005-10

(₹ in crore)

Sl. No.	Grant number and name of the Grant		Amount of Savings				
			2005-06	2006-07	2007-08	2008-09	2009-10
Revenue – Voted							
1.	6	Revenue and Food	1.05	55.53	95.04	42.28	53.07
2.	9	Secretariat	4.48	11.89	9.00	0.13	15.72
3.	10	District Administration	0.81	104.32	2.34	31.75	125.48
4.	16	Public Works	1.49	0.42	0.62	0.35	6.22
5.	17	Education	2.55	2.16	2.54	5.00	6.67
6.	18	Medical	1.48	0.86	0.67	0.20	0.44
7.	19	Information and Publicity	5.02	0.74	0.48	0.51	58.45
8.	21	Social Welfare	0.95	1.34	1.94	131.53	146.23
9.	24	Agriculture	0.32	0.20	0.42	0.20	7.86
10.	26	Fisheries	0.15	0.13	0.43	0.17	3.04
11.	32	Building Programmes	0.12	2.61	2.15	3.34	3.70
Total			18.42	180.20	115.63	215.46	426.88
Capital - Voted							
12.	16	Public Works	6.39	243.24	279.97	88.36	190.82
13.	32	Building Programmes	0.13	14.81	3.40	61.09	99.51
Total			6.52	258.05	283.37	149.45	290.33

(Source : Appropriation Accounts of the Government of Union Territory of Puducherry)

The pattern of Plan funding for the approved Plan size of ₹ 2,250 crore for the Annual Plan 2009-10 comprised negotiated loans of ₹ 321.50 crore and Central assistance of ₹ 273.59 crore. However, during 2009-10, the UT Government could avail of only ₹ 49 crore by way of negotiated loans from HUDCO and NABARD and received Central assistance of ₹ 110 crore. The shortfall in obtaining negotiated loans and short receipt of Central assistance resulted in savings under Plan schemes under the sectors - Urban Development, Community Development, Panchayati Raj Development, Water Supply and Sanitation, Roads and Bridges etc. (Grant 10). Further, it was noticed that savings occurred under the schemes - Creation of infrastructure (Grant 16), supply of free colour television (Grant 19) construction of houses in Scheduled Caste colonies (Grant 21), providing share capital contribution to Puducherry Agro Services and Industries Corporation (Grant 24), development of model fishing village in Yanam region (Grant 26), construction of buildings (Grant 32) and the schemes

were not implemented due to shortfalls in availing of negotiated loans leading to the savings.

2.3.3 Excess expenditure

In 96 sub-heads, expenditure aggregating ₹ 1,339.50 crore exceeded the approved provisions by ₹ 50 lakh or more in each case or by more than 20 per cent of the total provision. Details are given in **Appendix 2.2**.

2.3.4 Unnecessary/excessive supplementary provision

Supplementary provision of ₹ 2.5 crore, obtained in Grant-26 'Fisheries', (2405-00-800 (12) (4) – Development of Model Fishing Village) proved unnecessary as no expenditure was incurred. Supplementary provisions aggregating ₹ 32.63 crore, obtained in six cases, proved excessive as the savings in each case exceeded ₹ 50 lakh as detailed in **Appendix 2.3**.

2.3.5 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. Injudicious re-appropriations proved unnecessary or excessive in 36 sub-heads, which resulted in savings of over ₹ 45.94 crore as detailed in **Appendix 2.4**.

2.3.6 Substantial surrenders

Substantial surrenders (cases where more than 50 per cent of the total provision was surrendered) were made in 58 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹ 721.46 crore in these 58 sub-heads, ₹ 668.36 crore (92.64 per cent) were surrendered, which included cent per cent surrender under 44 sub-heads (₹ 468.11 crore) as given in **Appendix 2.5**. Cent per cent savings occurred in these 44 sub-heads due to shortfall in obtaining negotiated loans for funding the Plan schemes.

2.3.7 Anticipated savings not surrendered

As per Rule 56 (2) of the General Financial Rules, spending departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. At the close of the year 2009-10, there were, however, seven grants in which savings of ₹ 166.47 crore occurred, but no part of which had been surrendered by the departments concerned. The details are given in **Appendix 2.6**. Similarly, out of the total savings of ₹ 472.58 crore under four grants/appropriations (savings of ₹ one crore and above), ₹ 82.31 crore (17.42 per cent of total savings) were not surrendered, details of which are given in **Appendix 2.7**. This indicated inadequate financial control and non-utilisation of funds for other development purposes.

2.3.8 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 33 sub-heads listed in **Appendix 2.8**, expenditure exceeding ₹ 10 lakh or by more than 50 *per cent* of the total expenditure for the year was incurred in March 2010. Uniform flow of expenditure, which is a primary requirement of budgetary control mechanism, 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.

2.3.9 Expenditure on Centrally sponsored schemes

Out of ₹ 53.57 crore provided for implementing 69 Centrally sponsored schemes, ₹ 43.98 crore (82.10 *per cent*) was spent. The expenditure was less than 50 *per cent* of the provision in respect of five schemes and no expenditure was incurred in respect of 11 schemes (₹ 3.11 crore), due to less receipt of Central assistance.

2.3.10 Incorrect re-appropriation of funds

As per Rule 10 of the Delegation of Financial Powers Rules, 1978, re-appropriation of funds from Revenue to Capital Section or vice versa was not permissible. It was noticed that under Grant 32 – ‘Building programmes’, an amount of ₹ 1.55 crore was transferred from Revenue to Capital by way of re-appropriation, in violation of the Rules.

2.4 Non-adjustment of Temporary Advances

Drawing and Disbursing Officers (DDOs) draw temporary advances and disburse them to Government servants for the purpose of meeting contingent and miscellaneous expenditure either on the authority of standing orders or specific sanctions of the UT Government. According to Rule 292 (2) of the General Financial Rules (GFRs), adjustment bills along with balances, if any, should be submitted by the DDOs within 15 days of the drawal of advances, failing which the advances/balances would be recovered from the next salary of the Government servants.

As of 31 March 2010, advances aggregating ₹ 131.50 crore were pending adjustment by DDOs as per the records of the Director of Accounts and Treasuries, Puducherry. An age-wise analysis of pending advances is given in **Table 2.5**.

Table 2.5 Age-wise Analysis of Pending Advances

Sl. No	Pendency	Number of advances	Amount (₹ in crore)
1.	More than 10 years	21	0.52
2.	More than five years but less than 10 years	100	1.37
3.	More than one year but less than five years	559	56.78
4.	Less than one year	332	72.83
Total		1,012	131.50

(Source : Data furnished by the Director of Accounts and Treasuries)

The pendency indicated laxity on the part of the departmental officers in enforcing codal provisions regarding adjustment of the advances involving substantial amounts.

2.5 Advance drawal of funds

As per Rule 100(2) of the Receipts and Payments Rules 1983, no money should be drawn from the Government account unless it is required for immediate disbursement. Further, it is not permissible to draw money from the Government account in anticipation of demands or to prevent the lapse of budget grants. Moreover, as per Rule 56(2) of GFRs, the savings as well as provision which could not be utilised should be surrendered to the Government immediately.

Test check of records of the administrative department /controlling officers (CO)/DDOs relating to three grants (Agriculture, Medical and Transport) revealed advance drawal of funds on 31 March 2010 and parking them outside Government account violating the above mentioned rules as discussed below:

i) Grant No.8: Transport

Rupees 85 lakh provided in the budget for development of a transport complex at Karaikal was drawn (March 2010) as per the Government order and deposited with the Project Implementation Agency (PIA) of the Tsunami Rehabilitation Project for carrying out the work of filling up of a low lying area. It was noticed in audit that the tender for the work was finalised only in June 2010 and the amount remained unspent with the PIA. The Transport Commissioner stated (September 2010) that funds were provided in the budget in anticipation of transfer of land from the Government Automobile Workshop and the actual transfer took place in March 2010 only.

ii) Grant No. 18: Medical

Out of ₹ 17.50 crore provided in the budget for creation of infrastructural facilities in the tsunami affected areas, ₹ 7.28 crore remained unspent towards the end of the year. Government ordered (March 2010) drawal and parking of the unspent amount with PIA as deposit for utilizing the same in the financial year 2010-11. It was noticed in audit that out of ₹ 7.28 crore deposited with

PIA, ₹ 4.50 crore was withdrawn as per the Government order (June 2010) and remitted to Government account under 'Receipts and Recoveries on Capital Account' for incurring expenditure on the work of construction of a Women and Children Hospital at Puducherry, the PIA spent (September 2010) ₹ one crore on purchase of cloth items for the hospital and the remaining ₹ 1.78 crore was still with PIA.

iii) Grant No 24: Agriculture

Government ordered (March 2010) drawal of ₹ 45 lakh provided in the budget for extending financial assistance to agricultural technologists belonging to the general category and Scheduled Caste beneficiaries for the establishment of agricultural clinics as advance. Government also instructed the Additional Directors of Agriculture, Puducherry and Karaikal to deposit the amount with PIA, Puducherry and disburse the amount after identifying the beneficiaries as per guidelines. It was noticed in audit that the amount remained unutilized with PIA as of September 2010. The Director of Agriculture stated (September 2010) that the applications received were under process and that the amount would be disbursed to the beneficiaries.

2.6 Conclusion and Recommendations

During 2009-10, expenditure of ₹ 3,628.28 crore was incurred against total grants and appropriations of ₹ 4,562.83 crore, resulting in savings of ₹ 934.55 crore. Inaccuracies in budgeting resulted in persistent savings of more than ₹ 10 lakh in 11 grants during 2005-10. Savings of ₹ 166.47 crore in seven grants were not surrendered by the departments concerned. Similarly, out of the savings of ₹ 472.58 crore in four grants/appropriations (savings of ₹ one crore and above), ₹ 82.31 crore were not surrendered.

Budgetary controls should be strengthened in all the Government departments, especially in those departments where savings have been observed for the last five years regularly.

Even though there was no immediate requirement, ₹ 8.58 crore was drawn on 31 March 2010 for three schemes and kept outside the Government account in violation of rules.

Drawal of money from the Government account without immediate requirement and keeping it outside the Government account should be avoided.