

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 thus facilitate the management of finances and monitoring of budgetary provision 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 2013-14 against 39 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 (+)
Voted	I Revenue	4,319.86	76.52	4,396.38	3,975.60	(-) 420.78
	II Capital	712.79	5.48	718.27	387.27	(-) 331.00
	III Loans and Advances	2.42	Nil	2.42	1.30	(-) 1.12
Total Voted		5,035.07	82.00	5,117.07	4,364.17	(-) 752.90
Charged	IV Revenue	644.93	0.27	645.20	531.07	(-) 114.13
	V Capital	Nil	Nil	Nil	Nil	Nil
	VI Public Debt- Repayment	210.00	Nil	210.00	203.78	(-) 6.22
Total Charged		854.93	0.27	855.20	734.85	(-) 120.35
Grand Total		5,890.00	82.27	5,972.27	5,099.02	(-) 873.25

(Source: Appropriation Accounts and Budget documents for 2013-14)

The overall savings of ₹ 873.25 crore was result of savings of ₹ 534.91 crore in 30 grants and five appropriations under Revenue Section and ₹ 331 crore in 17 grants under Capital Section and ₹ 7.34 crore in two grants and one appropriation under Loan Section. The overall savings worked out to 14.62 *per cent* of total provision including supplementary.

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 ₹ 685.49 crore (78.50 *per cent* of total savings of ₹ 873.25 crore) occurred in 13 grants under capital and revenue heads and the percentage of savings ranged between 5 and 100 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	09 - Secretariat	44.45	0.00	44.45	28.38	16.07	36.15
2	10 - District Administration	269.30	0.00	269.30	207.96	61.34	22.78
3	12 - Police	153.40	0.00	153.40	137.63	15.77	10.28
4	15 - Retirement Benefits	467.00	0.00	467.00	400.10	66.90	14.33
5	17 - Education	636.57	0.00	636.57	604.23	32.33	5.08
6	24 - Agriculture	114.39	0.00	114.39	102.33	12.06	10.54
7	29 - Electricity	1,286.82	0.00	1,286.82	1,116.87	169.96	13.21
	Total	2,971.93	0.00	2,971.93	2,597.50	374.43	12.60
Capital-Voted							
8	06 - Revenue and Food	106.00	0.00	106.00	0.00	106.00	100.00
9	10 - District Administration	35.88	0.00	35.88	0.00	35.88	100.00
10	16 - Public Works	281.80	0.00	281.80	217.70	64.10	22.75
11	18 - Medical	20.00	0.00	20.00	0.00	20.00	100.00
12	19 - Information and Publicity	30.00	0.00	30.00	0.00	30.00	100.00
13	21 - Social Welfare	16.72	0.00	16.72	0.31	16.41	98.15
14	32 - Building Programmes	89.21	0.00	89.21	50.54	38.67	43.35
	Total	579.61	0.00	579.61	268.55	311.06	53.67
	Grand Total	3,551.54	0.00	3,551.54	2,866.05	685.49	19.30

(Source: Appropriation Accounts for 2013-14)

It was noticed that in 166 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 66 out of the 166 cases, no expenditure was incurred against the provision of ₹ 337.73 crore.

2.3.2 Persistent savings

In 10 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 during 2009-14

(₹ in crore)

Sl. No.	Number and name of the Grant		Amount of Savings				
			2009-10	2010-11	2011-12	2012-13	2013-14
	Revenue – Voted						
1.	06	Revenue and Food	53.07	13.05	2.98	847.80	2.98
2.	09	Secretariat	15.72	41.15	15.37	1.85	16.07
3.	10	District Administration	125.48	212.31	214.82	222.83	61.34
4.	16	Public Works	6.22	1.13	2.73	113.37	9.73
5.	17	Education	6.67	1.88	82.45	128.62	32.33
6.	18	Medical	0.44	0.68	70.68	126.73	1.91
7.	19	Information and Publicity	58.45	46.82	72.56	122.78	5.18
8.	21	Social Welfare	146.23	130.57	78.34	144.72	5.45
9.	24	Agriculture	7.86	0.39	39.63	50.94	12.06
10.	32	Building Programmes	3.70	2.12	9.15	22.21	0.78
	Total		423.84	450.10	588.71	1,781.85	147.83
	Capital – Voted						
11.	16	Public Works	190.82	169.20	342.39	62.27	64.10
12.	32	Building Programmes	99.51	89.89	76.59	70.19	38.67
	Total		290.33	259.09	418.98	132.46	102.77

(Source: Appropriation Accounts of respective years)

2.3.3 Excess expenditure

In 57 sub-heads, expenditure aggregating ₹ 347.92 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 ₹ 165.18 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 are anticipated, to another unit where additional funds are needed. It was noticed that during 2013-14 re-appropriation order was issued on 29 March 2014 for ₹ 297.25 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, in 17 cases where there was no provision, expenditure of ₹ 8.02 crore was incurred. Further, the re-appropriations made were proved unnecessary or excessive in 36 sub-heads where savings were more than the amount provided by re-appropriation as detailed in **Appendix 2.3**. Out of this, in respect of 10 cases, no expenditure was incurred resulting in saving of ₹ 7.86 crore.

Apart from this, in respect of one sub-head² under Grant-16, an amount of ₹ 4.27 crore provided as supplementary provision towards ‘Corporate social responsibility’ in Yanam region was unnecessary as there was no expenditure.

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 54 sub-heads on account of either non-implementation or slow implementation of the schemes/programmes (**Appendix 2.4**). Out of the total provision amounting to ₹ 244.43 crore in these 54 sub-heads, ₹ 208.70 crore (85 per cent) were surrendered, which included cent per cent surrender under 34 sub-heads (₹ 137.06 crore).

2.3.6 Anticipated savings not surrendered

Out of total savings of ₹ 873.25 crore, an amount of ₹ 517.27 crore was surrendered on 29 March 2014. It was noticed that in respect of 11 grants/appropriations, which had a saving of ₹ 435.03 crore (saving of ₹ one crore and above), an amount of ₹ 348.92 crore (80.21 per cent) 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 seven 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 2014. 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

Though the UT Government had an unspent balance of ₹ 93 crore under Centrally Sponsored Schemes (CSS) at the beginning of the year and ₹ 33.32 crore was received from GOI during the year, only ₹ 104.70 crore was provided in the budget for CSS during 2013-14. Taking into account the amount of ₹ 1.13 crore provided by re-appropriation in March 2014, the total provision under CSS stood at ₹ 105.83 crore in 106 sub-heads. Out of this, in respect of 70 sub-heads which had a provision of ₹ 86.69 crore, only ₹ 65.94 crore (76.06 per cent) was spent. It was noticed that the expenditure

² 2059-80-051-05

was less than 50 *per cent* of the provision in respect of 14 sub-heads and no expenditure was incurred in respect of balance 36 sub-heads, which had provision amounting to ₹ 19.14 crore.

2.4 Comment on budgetary control

A review of budgetary procedure and control of expenditure of Grant 19 – Information and Publicity, revealed that an amount of ₹ 1.50 crore was provided for the scheme ‘Grant of incentive to Tourism Industry’ towards grant of incentives to star category hotels. Though the amount was provided in budget itself, applications from eligible applicants were invited only during December 2013 and one hotel was selected (February 2014) for grant of incentive of ₹ one crore. However, incentive could not be released due to enforcement of model code of conduct and entire provision was re-appropriated. Thus, though funds were available, the action of Tourism Department in calling for applications belatedly led to non-implementation of scheme during 2013-14.

2.5 Conclusion and Recommendations

During 2013-14, expenditure of ₹ 5,099.02 crore was incurred against total grants and appropriations of ₹ 5,972.27 crore, resulting in overall savings of ₹ 873.25 crore (14.62 *per cent*). In 66 cases, no expenditure was incurred against the provision of ₹ 337.73 crore. There were persistent savings of more than ₹ 10 lakh in 10 grants during 2009-14. In 57 cases, the expenditure exceeded the approved provision, resulting in excess expenditure of ₹ 165.18 crore. Out of total anticipated savings of ₹ 435.03 crore in 11 grants, ₹ 348.92 crore was not surrendered.

Government may consider strengthening budgetary controls to avoid large scale savings of funds, incurring expenditure in excess of provision and in absence of provision.