

Chapter-2
Financial Management
and
Budgetary Control

Chapter – 2

2 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 Act. These Accounts list the original budget estimates, supplementary grants, surrender and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services vis-à-vis those authorized by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

2.1.2 Audit of Appropriation Accounts 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 Act. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions. This chapter contains audit observations in respect of the Appropriation Accounts prepared by the Controller of Accounts, Government of NCT of Delhi for the year 2015-16.

2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2015-16 against 14 grants/appropriations is given in **Table 2.1** below:

Table 2.1: Summarized 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	Revenue	26,966.41	671.02	27,637.43	23,586.55	-4050.88
	Capital	7,287.91	-30.22*	7,257.69	4,726.54	-2531.15
	Loans and Advances	1,673.77	1,026.96	2,700.73	2,684.33	-16.40
Total Voted		35,928.09	1,667.76	37,595.85	30,997.42	-6,598.43
Charged	Revenue	3,435.67	2.43	3,438.10	2,992.06	-446.04
	Capital	0.05	0.21	0.26	0.21	-0.05
	Loans and Advances	1,765.18	0.00	1,765.18	1,435.17	-330.01
Total Charged		5,200.90	2.64	5,203.54	4,427.44	-776.10
Appropriation to Contingency Fund (if any)		0.00	10.00	10.00	10.00	0.00
Grand Total		41,128.99	1,680.40	42,809.39	35,434.86	-7,374.53

*Minus figure is due to re-appropriation of ₹ (-) 30.59 crore to loans and advances and supplementary grant of ₹ 0.37 crore.

During 2015-16, against the total grants and appropriation of ₹ 42,809.39 crore expenditure of ₹ 35,434.86 crore was incurred resulting in saving of ₹ 7,374.53 crore. The overall saving of ₹ 7,374.53 crore was a result of saving of ₹ 4,496.92 crore in thirteen grants and one appropriation under Revenue Section and ₹ 2,877.61 crore under Capital Section.

2.3 Financial accountability and budget management

2.3.1 Excess expenditure over provisions during previous years requiring regularisation

Article 205 of the Constitution of India, provides that if any money has been spent for any service during a financial year in excess of the amount granted for that service for that year, the excess expenditure should be regularised by the State Legislative Assembly. Although no time limit for regularisation of expenditure has been prescribed under the Article, as a practice, the excess expenditure is regularised after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure amounting to ₹ 83.50 crore for the period 2006-07 to 2014-15 was yet to be regularised. The year-wise amount of excess expenditure pending regularisation is summarized in **Table 2.2** below.

Table 2.2: Excess expenditure over Provision of Previous Years requiring Regularisation

(₹ in crore)

Year	Number of Grants	Amount of excess expenditure over provision
2006-07	7 (38 Sub-heads)	9.12
2007-08	5 (30 Sub-heads)	11.55
2008-09	5 (29 Sub-heads)	17.35
2009-10	3 (3 Sub-heads)	5.60
2010-11	2 (5 Sub-heads)	3.98
2012-13	1 (11 Sub-heads)	27.22
2013-14	6 (18 Sub-heads)	5.17
2014-15	2 (12 Sub-heads)	3.51
Total		83.50

2.3.2 Excess expenditure over provisions during 2015-16 requiring regularisation

It was observed from the head wise Appropriation Accounts for the year 2015-16 that against a total provision of ₹ 61.22 crore under six sub-heads in two Grants, the actual expenditure was ₹ 63.44 crore thereby resulting in excess expenditure of ₹ 2.22 crore, which was yet to be regularised (October 2016) (**Appendix 2.1**).

Thus, an excess expenditure of ₹ 85.72 crore (2006-07 to 2015-16) required regularisation under Article 205 of the Constitution.

2.3.4 Savings vis-à-vis allocative priorities

Appropriation accounts for the year 2015-16 revealed that savings exceeding ₹ 10 crore occurred in 30 cases relating to seven grants totalling ₹ 1,504.36 crore (**Appendix 2.2**).

The savings were attributable mainly to non-launching of advertising campaign, non-receipt of approval of the competent authority for payment of arrears, receipt of less claims/bills, release of less grant, non finalization of projects, slow progress of work and non finalization of tenders.

2.3.5 Persistent savings

During the last five years, four grants showed persistent savings of more than ₹ 1.00 crore or 20 *per cent* of the total grants as detailed in **Table 2.3** below.

Table 2.3: List of Grants with Persistent Savings during 2011-16

(₹ in crore)

Sl. No.	Head No. and Name of the grant		2011-12	2012-13	2013-14	2014-15	2015-16
Revenue-Voted							
1	Grant No. 3: Administration of Justice						
	2014.00.108.99/ 2014 B.1(2)(1)- Judicial Magistrate's Courts	T	31.67	34.59	39.62	47.77	62.41
		S	8.69	5	6.04	8.05	15.29
		%	27.43	14.46	15.24	16.85	24.5
2	Grant No. 7: Medical and Public Health						
	2211.00.102.80.00.42 K 1 (3)(1)-Urban Family Welfare Centre (CSS)	T	10	4.5	4.9	10.67	10
		S	7.45	1.93	3.5	9.21	8.71
		%	74.5	42.89	71.43	86.32	87.1
3	Grant No.11: Urban Development and Public Works Department						
	2217.80.191.13 A.8(2)(1)(26)- Grant-in-aid for municipal reforms	T	300.93	339.87	325.16	157.12	377.16
		S	300.93	189.87	325.16	157.12	377.16
		%	100	55.86	100	100	100
Capital-Voted							
4	Grant No.8: Social Welfare						
	5055.00.800.97.00.42 DD.1(3)(1)- Introduction of Electronic Trolley Buses-Alternative mode of Transport	T	250	10	100	3	11
		S	240.75	8.39	97.21	3	11
		%	96.3	83.9	97.21	100	100

T - Total Provision (Original +Supplementary + Re-appropriation), S - Savings, % - Percentage.

The entire provision remained unutilized under Grants-in-aid for municipal reforms during the years 2011-12, 2013-14, 2014-15 and 2015-16 and under

Grant-in-aid for Introduction of Electronic Trolley Buses-Alternative mode of Transport during the years 2014-15 and 2015-16.

The above cases are indicative of over estimation of fund requirement and failure of the department to take effective remedial measures to avoid persistent savings as well as non-implementation of plans.

2.3.6 Savings of entire provision

In 43 sub-heads of seven grants and one appropriation (₹ one crore or above in each cases), the entire provision remained unutilized by the departments or was remitted back to Government before the closure of the financial year 2015-16. The details of sub-heads are given in **Appendix 2.3**. Savings of the entire provision was indicative of the fact that the estimates were not prepared after adequate scrutiny of the projects/schemes. Schemes which failed to take off or suffered due to non-utilisation of entire provision were – Grant for Municipal reforms (₹ 377.16 crore), interest on loans for non-plan schemes (₹ 300 crore), Equity for integrated power development scheme (₹ 50 crore), loan to cover gap in resources (₹ 330 crore), Grant-in-Aid to Delhi State Cancer Institute (₹ 17 crore), Construction of Building for Dispensary/Health Centre (₹ 8.00 crore) and Grant no.10- Development: citizen local area development in 11 Zones (₹ 249.50 crore).

2.3.7 Unnecessary supplementary provision

Supplementary demand should only be resorted to in exceptional and urgent cases. While obtaining a supplementary grant, department has to keep in view the resources available or likely to be available during the year and exercise due caution while forecasting its additional budgetary requirement of funds.

Audit scrutiny of Appropriation Accounts for the year 2015-16 revealed that supplementary grant amounting to ₹ 278.39 crore in a sub-head ‘2014.00. 105.99- Session Court’ was obtained in anticipation of higher/ additional expenditure. However, the final expenditure was less than even the original grant as detailed in **Table 2.4**.

Table 2.4: Excess/unnecessary Supplementary Provision

(₹ in crore)

Sl. No.	Number and name of the Grant	Original provision	Actual expenditure	Saving out of original provision	Supplementary provision
Revenue Voted					
Grant No.3: Administration of Justice					
1	2014.00.105.99 Session Court	499.73	480.92	18.81	278.39

The main reasons for non-utilisation of supplementary grant was non-receipt of approval of the competent authority for payment of arrears of Shetty Pay Commission, other arrears and non- receipt of anticipated bills.

2.3.8 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. Scrutiny of Appropriation Accounts and Re-appropriation orders for the year 2015-16 revealed that under 78 sub-heads in eight grants as detailed in **Appendix 2.4**, re-appropriations were unnecessary as the departments were not able to even utilise fully their existing grants and there was a cumulative non-utilisation of ₹ 967.39 crore against the re-appropriation of ₹ 732.60 crore. The departments attributed the reasons to non-finalisation of tenders, receiving of less grant, non-receipt of approval of the competent authority, non-receipt of anticipated bills, purchase proposals not materialised, vacant posts, non-processing of bills and receipt of less claims. The following are the important observations:

- (i) Under Grant No. 2- 'General Administration Department' ₹ 2.73 crore was re-appropriated due to excess receipts of funds from GoI in anticipation of revision of salaries and allowances under Sub-head Grants-in-aid to Delhi Computerisation of Police Service Society for crime and criminal tracking system (Voted). However, there was final saving of ₹ 9.51 crore due to non-receipt of sanction of competent authority.
- (ii) Under Grant No 3- 'Administration of Justice' ₹ 4.31 crore was re-appropriated for filling up of vacancies and payment of arrears, receipts of more claims/bills and more expenditure on electricity and water under Sub-head- Session Court but there was final saving of ₹ 301.50 crore due to non-receipt of approval of the competent authority for payment of arrears and non-receipt of anticipated bills.
- (iii) Under Grant No.7- 'Medical & Public Health' ₹ 24.99 crore was re-appropriated due to receipt of funds from GoI under Sub-head Delhi Health Mission; however, ₹ 36.98 crore remained un-utilised. There was saving of ₹ 40.00 crore against the re-appropriated amount of ₹ 39.99 crore under Sub-head Delhi Arogya Kosh. Similarly, under Sub-head expenditure on post mortem units in hospitals, an amount of ₹ 8.49 crore was re-appropriated due to increase in pay and allowances and payment of arrears to MCD but there was saving of ₹ 10.40 crore due to non-receipt of approval for payment of competent authority/projects not been finalised.
- (iv) Under Grant No.10- 'Development' ₹ 105.73 crore was re-appropriated due to enhanced relief/grant to the beneficiaries. However, there was saving of

₹ 15.45 crore as many beneficiaries did not qualify for payment for want of requisite certificates.

- (v) Under Grant No.11- ‘Urban Development and Public Works Department’ ₹ 93.00 crore was re-appropriated but there was saving of ₹ 180.77 crore as the work was sanctioned at the fag end of the year.

The above excessive/unnecessary re-appropriation of funds were indicative of deficient budgeting exercise.

2.3.9 Substantial surrenders

Substantial surrenders involving ₹ 2,537.71 crore (more than ₹ one crore and 60 *per cent* of original provision) were made in respect of 40 sub-heads (**Appendix 2.5**), out of which in 20 sub-heads 100 *per cent* grant amounting to ₹ 1,074.00 crore was surrendered on account of non-creation of posts, less advertisement campaigns, release of less grant, non-finalisation of purchase, non-implementation of scheme, slow progress of scheme, less reimbursement, non-release of funds, non-release of equity, release of less loan and Non finalisation of scheme.

Substantial surrenders amounting to ₹ 400 crore, ₹ 135 crore and ₹ 271.80 crore were made under Grant No. 2: General Administration, Grant No. 7: Medical and Public Health and Grant No.11: Urban Development and Public Works Department. The surrenders were attributed to non-launching of advertisement campaign, slow progress of works and release of less grant.

2.3.10 Anticipated savings not surrendered

Rule 56 (2) of General Financial Rules (GFR) stipulates that savings as well as provisions that cannot be profitably utilised should be surrendered to Government as soon as these are foreseen without waiting till the end of the year. The objective is to minimize the scope for avoiding surrenders at a later stage. At the close of the year 2015-16, savings of ₹ 31.39 crore occurred in four grants but no part of which had been surrendered by the concerned department (**Appendix 2.6**).

Further, out of the savings of ₹ 5,176.08 crore under 10 grants where savings of ₹ one crore and above were indicated in each grant/appropriation, an amount of ₹ 2,222.26 crore (42.93 *per cent* of amount of savings) was not surrendered, details of which are given in **Appendix 2.7**.

2.3.11 Unrealistic budgeting

Rule 48 (2) of the GFR lays down that Ministries/ Departments have to prepare their estimates keeping in view the trends of disbursements during the previous years and other relevant factors like economy instructions issued by the Ministry

of Finance from time to time. Scrutiny of records for the 2015-16 showed that provision under various sub-heads under Centrally Sponsored Schemes and Schedule Caste Sub-Plan (CSS and SCSP) was made during the year. But in 38 sub-heads in six grants/appropriation, the entire provisions of ₹ 35.20 crore (**Appendix 2.8**) remained unutilised, defeating the purpose for which the budget provisions were passed by the Legislative Assembly. The main reasons for non-utilisation of funds were attributed to non-receipt of funds from Government of India and non-implementation of schemes.

2.3.12 Rush of expenditure

Rule 56 of the GFR provides that rush of expenditure particularly in the closing months of the financial year is regarded as a breach of financial propriety and should be avoided. Contrary to this, expenditure incurred by the departments in the month of March 2016 and last quarter of the financial year 2015-16 under 34 sub-heads ranged between 51.27 per cent and 100 per cent of the total expenditure as given in **Appendix 2.9**.

The reasons for disproportionately higher expenditure incurred in the last quarter are awaited from the Government.

2.4 Recoveries adjusted in accounts as reduction of expenditure

The demands for grants presented to the Legislature are for gross expenditure including credits and recoveries, which are adjusted in the accounts as reduction of expenditure. The anticipated recoveries and credits are shown separately in the Budget Estimates as 'nil'. Actual recoveries during the year 2015-16 were ₹ 239.34 crore against 'nil' anticipated recoveries.

2.5 Outcome of the Review of Grant No.6 - Education

A review of budgetary procedure and control over expenditure in respect of Grant No.-6- Education, Government of NCT of Delhi for the period 2013-16 conducted in September 2016 brought out the following important points:

- (i) The overall position of budget provision, expenditure incurred and saving under the grant for the last three years is given in **Table 2.5**:

Table: 2.5: Budget and Expenditure

(₹ in crore)

Year	Provision		Expenditure incurred		Savings	
	Revenue	Capital	Revenue	Capital	Revenue	Capital
2013-14	5,184.74	188.10	4,730.27	53.09	454.47	135.01
2014-15	5,741.95	194.60	5,162.73	34.04	579.22	160.56
2015-16	6,803.08	632.96	5,671.24	446.22	1131.84	186.74
Total	17,729.77	1,015.66	15,564.24	533.35	2,165.53	482.31

- (ii) Rule 56(2) of GFR stipulates that savings as well as provisions that cannot be profitably utilized should be surrendered to Government as soon as these are foreseen without waiting till the end of the year. The objective is to minimize the scope for avoiding surrenders at a later stage. Out of the savings of ₹ 2,684.57 crore from 2013 to 2016, an amount of ₹ 924.20 crore (34.43 *per cent* of savings) was not surrendered as of March 2016, details of which are given in **Appendix 2.10**.
- (iii) While obtaining a supplementary grant, department has to keep in view the resources available or likely to be available during the year and should exercise due caution while forecasting its additional budgetary requirement of funds. Supplementary demand should only be resorted to in exceptional and urgent cases. Audit scrutiny of Appropriation Accounts for the year 2013-14 to 2015-16 showed that supplementary grant of ₹ 40 crore in sub-head- Additional Schooling Facilities was obtained in anticipation of additional expenditure but the final expenditure was less than the original grant due to vacancies, non-finalisation of Modified Assured Career Progression (MACP) cases and non-clearance of bills.
- (iv) There were persistent savings of ₹ one crore or more in 13 cases/sub-heads under the grant which indicates unrealistic budgeting, deficient financial management and slackness on the part of department in implementing the schemes.
- (v) Scrutiny of Section-wise Appropriation Accounts of grant also revealed persistent savings of 9 to 17 *per cent* in revenue voted section and 52 to 87 *per cent* in revenue charged section while savings in Capital voted section were 26 to 84 *per cent* of the total grant indicating unrealistic budgeting and deficient financial provision.
- (vi) Re-appropriation in 54 cases proved unnecessary as the departments were not able to utilize fully their original grant. As a result, there was a cumulative non-utilisation of ₹ 169.50 crore in these cases during 2013-14 to 2015-16 against re-appropriation of ₹ 71.23 crore. The unnecessary re-appropriation of funds points towards deficient budgeting exercise.
- (vii) In 36 sub-head under the grant, the entire provision remained unutilised by the department. Saving of the entire provisions was indicative of the fact that estimates were prepared without assessing the actual requirement and improper scrutiny of relevant projects/schemes (**Appendix 2.11**).
- (viii) Article 205 of the Constitution of India, provides that if any money has been spent for any services during a financial year in excess of the amount granted for that service for that year, the excess expenditure should be regularized by

the State Legislative Assembly. Although no time limit for regularisation of expenditure has been prescribed under the Article, as a practice the excess expenditure is required to be regularised after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to ₹ 1.43 crore for the period was yet to be regularised.

- (ix) Rule 56(3) of the GFR provides that rush of expenditure, particularly in the closing months of the financial year is regarded as a breach of financial propriety and should be avoided. Contrary to this, expenditure incurred by the departments in the last quarter of the financial year under various sub-heads ranged between 64 *per cent* and 96 *per cent* of the total expenditure.

2.6 Conclusion

Against total provision of ₹ 42,809.39 crore during 2015-16, an expenditure of ₹ 35,434.86 crore was incurred which resulted in savings of ₹ 7,374.53 crore (17.23 *per cent*). An excess expenditure of ₹ 85.72 crore relating to the period 2006-07 to 2015-16 required regularisation under Article 205 of the Constitution.

Supplementary provision ₹ 278.39 crore in sub-head 'Session Court' was unnecessary and re-appropriations of funds in 78 sub-heads where final savings were more than ₹ one crore was made injudiciously resulting in un-utilised/excessive provision of ₹ 967.39 crore. In 20 sub-heads, 100 *per cent* grant amounting to ₹ 1,074.00 crore was surrendered.

There were persistent savings of more than ₹ one crore in 13 cases/sub-heads during the year 2013-14 to 2015-16 under the Grant No. 6 -. Education.

2.7 Recommendations

The Government may consider:

- (i) expediting regularisation of excess expenditure;
- (ii) improving the budgeting process to ensure preparation of more realistic budget estimates to avoid large savings and supplementary provisions; and
- (iii) devising suitable mechanism to avoid rush of expenditure in last quarter/month of the financial year.

