

CHAPTER II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

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2.1 Introduction

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. Audit of appropriations 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 2017-18 against 49 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 2018	Percentage of savings surrendered during the year
Voted	I Revenue	5,254.46	231.60	5,486.06	5,123.98	(-) 362.08	223.59	223.59	61.75
	II Capital	548.79	20.74	569.53	385.41	(-) 184.12	86.63	86.63	47.05
	III Loans and Advances	1.00	-	1.00	0.21	(-) 0.79	0.77	0.77	97.47
Total - Voted		5,804.25	252.34	6,056.59	5,509.60	(-) 546.99	310.99	310.99	56.85
Charged	IV Revenue	399.54	299.33	698.87	698.32	(-) 0.55	0.36	0.36	65.45
	V Capital	21.62	92.34	113.96	22.02	(-) 91.94	3.07	3.07	3.34
	VI Public Debt-Repayment	719.59	-	719.59	570.00	(-) 149.59	149.59	149.59	100.00
Total - Charged		1,140.75	391.67	1,532.42	1,290.34	(-) 242.08	153.02	153.02	63.21
Grand total		6,945.00	644.01	7,589.01	6,799.94	(-) 789.07	464.01	464.01	58.80

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

¹ Excludes recoveries shown as reduction of expenditure

- The overall savings of ` 789.07 crore worked out to 10.40 *per cent* of total provision including supplementary provision made against the respective grants in 2017-18.
- A savings of ` 362.63 crore in 31 grants and 15 appropriations under Revenue section, ` 425.65 crore in 17 grants and 11 appropriations under Capital section, and ` 0.79 crore in two grants under Loan section.
- As against the original provision of ` 6,945 crore, an expenditure of ` 6,799.94 crore was incurred. In view of an overall savings of ` 789.07 crore, the supplementary provision of ` 644.01 crore proved unnecessary.

2.3 Financial accountability and budget management

2.3.1 Appropriations vis-à-vis allocative priorities

During 2017-18, savings of more than ` 10 crore occurred in each case (13 grants) under capital and revenue heads amounting to ` 465.05 crore (58.94 *per cent* of total savings of ` 789.07 crore). The percentage of savings ranged between 2 and 49 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	Expenditure	Savings	Percentage
Revenue-Voted							
1	06 - Revenue and Food	221.95	3.84	225.79	199.15	26.64	11.80
2	09 - Secretariat	48.73	0.00	48.73	35.41	13.32	27.33
3	10 - District Administration	236.74	36.72	273.46	261.79	11.67	4.27
4	12 - Police	208.85	4.90	213.75	203.50	10.25	4.80
5	17 - Education	865.68	0.00	865.68	771.83	93.85	10.84
6	18 - Medical	507.08	0.00	507.08	495.69	11.39	2.25
7	21 - Social Welfare	699.82	0.00	699.82	620.76	79.06	11.30
8	22 - Co-operative	38.82	0.00	38.82	23.02	15.80	40.70
9	24 - Agriculture	111.06	0.00	111.06	81.78	29.28	26.36
10	27 - Community Development	49.10	0.00	49.10	36.78	12.32	25.09
11	28 - Industries	48.26	0.00	48.26	35.52	12.74	26.40
Total		3,036.09	45.46	3,081.55	2,765.23	316.32	10.26

Sl. No.	Name of the Grant	Original	Supplementary	Total	Expenditure	Savings	Percentage
Capital-Voted							
12	16 - Public Works	353.60	0.00	353.60	243.97	109.63	31.00
13	32 - Building Programmes	80.97	0.00	80.97	41.87	39.10	48.83
Total		434.57	0.00	434.57	285.84	148.73	34.22
Grand total		3,470.66	45.46	3,516.12	3,051.07	465.05	13.23

(Source: Appropriation Accounts for 2017-18)

It was noticed that in 189 cases (sub heads), savings exceeded ` 50 lakh in each case and by more than 20 per cent of the total provision (**Appendix 2.1**), wherein out of total provision of ` 1,690.94 crore, ` 818.99 crore was the savings. Further, no expenditure was incurred in respect of 47 cases out of the 189 cases, against the provision of ` 250.35 crore.

2.3.2 Persistent savings

In 23 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 2013-18

(₹ in crore)

Sl. No.	Number and name of the Grant		Amount of savings				
			2013-14	2014-15	2015-16	2016-17	2017-18
Revenue - Voted							
1	01	Legislative Assembly	1.03	2.36	2.86	1.72	0.44
2	06	Revenue and Food	2.98	12.57	26.56	83.01	26.64
3	08	Transport	4.78	0.83	1.14	1.73	4.98
4	09	Secretariat	16.07	5.88	24.92	24.60	13.32
5	10	District Administration	61.34	202.92	98.09	52.05	11.67
6	11	Treasury and Accounts Administration	0.98	0.43	0.46	0.28	0.15
7	12	Police	15.77	8.44	15.09	13.77	10.25
8	13	Jails	0.23	0.65	4.17	0.77	0.23
9	16	Public Works	9.73	4.73	20.69	14.23	9.50
10	17	Education	32.33	12.70	140.81	90.90	93.85
11	18	Medical	1.91	2.05	74.01	23.84	11.39
12	19	Information and Publicity	5.18	4.62	7.37	9.40	8.60
13	20	Labour and Employment	1.60	2.38	4.66	1.05	3.55
14	21	Social Welfare	5.45	10.84	31.13	29.30	79.07
15	22	Co-operative	1.60	0.15	2.76	11.41	15.80

Sl. No.	Number and name of the Grant		Amount of savings				
			2013-14	2014-15	2015-16	2016-17	2017-18
16	23	Statistics	1.35	1.00	1.30	0.56	1.42
17	24	Agriculture	12.06	45.33	33.30	22.93	29.27
18	25	Animal Husbandry	2.09	2.70	8.11	5.91	3.81
19	27	Community Development	0.47	19.40	20.81	17.96	12.32
20	28	Industries	5.00	0.62	5.78	6.97	12.74
21	29	Electricity	169.96	189.98	60.76	11.07	0.80
22	32	Building Programmes	0.78	4.92	7.42	7.02	2.84
Total			352.69	535.50	592.20	430.48	352.64
Capital - Voted							
23	16	Public Works	64.10	32.77	83.94	168.32	109.63
24	29	Electricity	6.02	16.89	48.38	4.35	9.32
25	30	Ports and Pilotage	0.40	4.98	7.94	0.83	3.09
26	32	Building Programmes	38.67	31.23	53.45	59.56	39.10
Total			109.19	85.87	193.71	233.06	161.14

(Source: Appropriation Accounts of respective years)

Budgetary requirement and appropriation of funds should be based on the anticipated requirement for the year. Out of 33 grants, savings of more than ` 10 lakh was noticed persistently under 23 grants in the last five years. Caution is to be exercised in allocating funds available among the grants as savings/surrender in one grant would hamper provision of funds to another grant where it is needed.

2.3.3 Unnecessary Supplementary provision

Supplementary provision of ` 10 lakh or more in each case aggregating ` 108.88 crore obtained in 12 sub heads/cases during the year 2017-18 proved unnecessary as the expenditure incurred was within the original provision as detailed in **Appendix 2.2**.

2.3.4 Excessive/unnecessary re-appropriation of funds

During 2017-18, re-appropriation order was issued on 31 March 2018 for ` 353.49 crore which dilutes the process of budgeting and expenditure control. It indicated that re-appropriation orders were proposed *ex post facto* without necessary provision in the respective heads.

The re-appropriations made were proved unnecessary or excessive in 53 sub heads as detailed in **Appendix 2.3 - Part A**. As a result, expenditure of ` 16.45 crore was incurred in 24 cases without any provision as detailed in **Appendix 2.3 - Part B**. In respect of six cases, no expenditure was incurred resulting in saving of ` 1.92 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 107 sub heads on account of either non-implementation or slow implementation of the schemes/programmes (**Appendix 2.4**). Out of the total provision of ` 255.42 crore in these sub heads, ` 210.02 crore (82.23 per cent) was surrendered and in respect of 36 sub heads, entire provision (` 18.64 crore) was surrendered.

2.3.6 Anticipated savings not surrendered

Out of total savings of ` 789.07 crore, an amount of ` 464.01 crore was surrendered on 31 March 2018. It was noticed that in respect of 23 grants/appropriations, with saving of ` 634.76 crore (saving of ` one crore and above), ` 321.95 crore (40.80 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 six 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 2018.

Audit observed that in respect of six sub heads, out of the total expenditure of ` 6.43 crore, ` 5.12 crore (79.67 per cent) was incurred during the last quarter of 2017-18. Out of the expenditure incurred in the last quarter, ` 4.45 crore (69.25 per cent) alone was spent in March 2018. Uniform flow of expenditure, which was a primary requirement of budgetary control mechanism and sound financial management, was not maintained.

2.3.8 Expenditure on Centrally Sponsored Schemes

The total provision under Centrally Sponsored Schemes after re-appropriation stood at ` 404.52 crore in 117 sub heads. Out of this, in respect of 81 sub heads, in which there was provision of ` 380.52 crore, ` 263.94 crore (69.36 per cent) only was spent. It was noticed that the expenditure was less than 50 per cent of the provision in respect of 20 sub heads. Despite a provision of ` 24 crore under 36 sub heads, no expenditure was incurred.

2.4 Comment on budgetary control

A review of the budgetary procedure and control of expenditure followed in in Grant 24 – Agriculture revealed the following:

2.4.1 Preparation of Budget

The Ministry of Finance, GOI issued (September 2016) guidelines for framing budget estimates with the objective to link outlays to outcomes. Accordingly, the distinction of plan and non-plan expenditure was to be removed as it led to fragmented view of resource allocation, which made it difficult to ascertain cost of delivering a service. On removal of this distinction, it was expected that a link between spending and outcomes would be more holistic and focused. Hence, it was directed to follow this guideline from the budget 2017-18. However, in UT of Puducherry, the budget of 2017-18 was drawn in the old format only, with distinction between plan and non-plan estimates.

To an audit query in this regard, the Finance Department replied (November 2018) that the merger of plan and non-plan expenditure involved classification of expenditure as revenue and capital and also merger of plan and non-plan posts, which required considerable amount of time. Hence, new pattern of classification could not be adopted for the year 2017-18.

GOI had issued instructions in September 2016 and this was not complied with for the regular budget for 2017-18, which was presented in May 2017.

2.4.2 Misclassification of expenditure - Agriculture

General Financial Rule 79 defines that any significant expenditure incurred with the object of acquiring tangible assets of a permanent nature and not for sale shall broadly be defined as Capital expenditure.

Under the Centrally Sponsored Scheme, “National Plan for Conservation of Aquatic Eco System”, 100 *per cent* advance payment of ` 43.19 lakh was released (March 2018) to Pondicherry Co-operative Building Centre for construction of an Interpretation Centre (Double Storey building) for displaying specimen of important flora and fauna and species of birds, butterflies, etc., at Oussudu Wildlife Sanctuary.

The expenditure, being capital in nature, should have been booked under capital head of account. However, Forest department booked the expenditure under Revenue Head 2406 - Forest and Wildlife - 01 Forestry - 102 Social Forestry - 06 Conservation and Management of Oussudu Sanctuary. This misclassification resulted in understatement of Capital expenditure and overstatement of Revenue expenditure by ` 43.19 lakh. Further, release of 100 *per cent* advance at the fag end of the year, only indicated that this transaction was mainly carried out to avoid lapse of budget grant.

2.5 Conclusion

- During 2017-18, expenditure of ` 6,799.94 crore was incurred against total grants and appropriations of ` 7,589.01 crore, resulting in overall savings of ` 789.07 crore (10.40 *per cent*).
- Out of total provision of ` 1,690.94 crore in 189 cases, savings exceeded ` 50 lakh in each case and also by more than 20 *per cent* of the total provision, resulting in overall savings of ` 818.99 crore.
- Out of 189 cases, in 47 cases against the provision of ` 250.35 crore, no expenditure was incurred during 2017-18.
- There were persistent savings of more than ` 10 lakh in 23 grants during 2013-18. Supplementary provision of ` 10 lakh or more in each case aggregating ` 108.88 crore obtained in 12 sub heads/cases proved unnecessary.

2.6 Recommendations

- Efficient budgeting would enable the Government to ensure that excessive, unnecessary supplementary provision and substantial surrender are avoided.
- Appropriate action needs to be taken to regulate and systematise the procedure to avoid heavy expenditure in the closing month of the financial year.