

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 authorised 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 2016-17.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2016-17 against 14 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	Saving(-)/ Excess(+)
Voted	Revenue	32,162.01	273.30	32,435.31	26,343.92	(-) 6,091.39
	Capital	6,709.67	(-)231.70 [#]	6,477.97	3,988.45	(-) 2,489.52
	Loans and Advances	2,055.43	784.97	2,840.40	2,552.53	(-) 287.87
Total Voted		40,927.11	826.57	41,753.68	32,884.90	(-) 8,868.78
Charged	Revenue	3,685.53	2.70	3,688.23	3,081.24	(-) 606.99
	Capital	0.10	Nil	0.10	0.01	(-) 0.09
	Loans and Advances	1,987.26	0.00	1,987.26	1,654.62	(-) 332.64
Total Charged		5,672.89	2.70	5,675.59	4,735.87	(-) 939.72
Appropriation to Contingency Fund (if any)		0.00	0.00	0.00	0.00	0.00
Grand Total		46,600.00	829.27	47,429.27	37,620.77	(-)9,808.50

[#] Minus figure is due to re-appropriation of ₹ (-) 253.37 crore to loans and advances and supplementary grants of ₹ 21.67 crore

During 2016-17, against the total grants and appropriation of ₹ 47,429.27 crore expenditure of ₹ 37,620.77 crore was incurred resulting in saving of ₹ 9,808.50 crore. The overall saving of ₹ 9,808.50 crore was a result of saving of ₹ 6,698.38 crore in 13 grants and one appropriation under Revenue Section and ₹ 3,110.12 crore under Capital Section and Loan and Advances.

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 ₹ 85.71 crore for the period 2006-07 to 2015-16 was yet to be regularised. The year-wise amount of excess expenditure pending regularisation is summarised in **Table 2.2**.

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
2015-16	2 (06 Sub-heads)	2.21
Total		85.71

2.3.2 Excess expenditure over provisions during 2016-17 requiring regularisation

It was observed from the head wise Appropriation Accounts for the year 2016-17 that against a total provision of ₹ 28.30 crore under seven sub-heads in six Grants, the actual expenditure was ₹ 33.64 crore thereby resulting in excess expenditure of ₹ 5.34 crore, which was yet to be regularised (October 2017) (**Appendix 2.1**). Thus, an excess expenditure of ₹ 91.05 crore (2006-07 to 2016-17) required regularisation under Article 205 of the Constitution.

2.3.3 Savings vis-à-vis allocative priorities

Appropriation accounts for the year 2016-17 revealed that savings exceeding ₹ 50 crore occurred in 12 cases relating to eight grants totalling ₹ 1,240.61 crore (**Appendix 2.2**).

The savings were attributable mainly to slow progress of scheme, non-implementation of scheme, release of less grant and slow progress of work.

2.3.4 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**.

Table 2.3: List of Grants with Persistent Savings during 2012-17

							(₹ in crore)	
Sl. No.	Head No. and Name of the grant		2012-13	2013-14	2014-15	2015-16	2016-17	
Revenue-Voted								
1	Grant No. 3: Administration of Justice							
	2014.00.108.99/ 2014	T	34.59	39.62	47.77	62.41	58.50	
	B.1(2)(1)- Judicial	S	5.00	6.04	8.05	15.29	8.13	
	Magistrate's Courts	%	14.46	15.24	16.85	24.5	13.90	
2	Grant No. 7: Medical and Public Health							
	2211.00.102.80.00.42	T	4.5	4.9	10.67	10	19.26	
	K 1 (3)(1)-Urban Family	S	1.93	3.5	9.21	8.71	17.76	
	Welfare Centre (CSS)	%	42.89	71.43	86.32	87.1	92.21	
3	Grant No.11: Urban Development and Public Works							
	2217.80.191.13	T	339.87	325.16	157.12	377.16	414.87	
	A.8(2)(1)(26)- Grant-in-aid	S	189.87	325.16	157.12	377.16	40.87	
	for municipal reforms	%	55.86	100	100	100	9.85	
Capital-Voted								
4	Grant No.8: Social Welfare							
	5055.00.800.97.00.42	T	10	100	3	11	11.73	
	DD.1(3)(1)- Introduction of	S	8.39	97.21	3	11	11.73	
	Electronic Trolley Buses-	%	83.9	97.21	100	100	100	
	Alternative mode of Transport							

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

The entire provision remained unutilised under Grant-in-aid for municipal reforms during the years 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, 2015-16 and 2016-17.

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

2.3.5 Savings of entire provision

In 119 sub-heads of eight Grants and one appropriation (₹ one crore or above in each cases), the entire provision remained unutilised by the departments or was remitted back to Government before the closure of the financial year 2016-17. 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 did not take off or suffered due to non-utilisation of entire provision were – Equity capital to Delhi Transport Corporation for purchase of buses (₹ 150 crore), Installation of CCTV camera in DTC Cluster buses (₹ 90 crore), Mohalla Raksha Dal (₹ 200 crore), Grant to Delhi Jal Board for inter-sector sewer along the major drains under JNNURM projects (₹ 200 crore), Comprehensive maintenance of roads (₹ 100 crore), Provision of LED Screens (₹ 137 crore) and Installation of CCTV Cameras (₹ 200 crore), GIA for Mid Day meals programme (₹ 34.47 crore).

2.3.6 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 2016-17 revealed that supplementary grant amounting to ₹ 27.32 crore in three sub-heads was obtained in anticipation of higher/ additional expenditure. However, the final expenditure was even less than the original grant in two cases 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.11: Urban Development and Public Works					
1	2801.05.800.80 One time relief to Electricity Consumers on Accounts of Amnesty Schemes	Nil	Nil	-	23.00
Revenue Charged					
Grant No.2: General Administration					
2	2012.03.090 Administrators of UTs Secretariat	11.38	9.50	1.88	1.01
Capital Voted					
Grant No.4: Finance					
3	4059.80.800.85.00.51 Motor vehicles	2.50	2.04	0.46	3.31
Total					27.32

The reason for non-utilisation of supplementary grant was awaited from concerned departments.

2.3.7 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 2016-17 revealed that under 50 sub-heads in 10 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 ₹ 475.39 crore against the re-appropriation of ₹ 278.89 crore. The departments attributed the reasons to non-receipt of approval of the competent authority, receiving of less grant, 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.6- 'Education' ₹ 49.99 crore was re-appropriated due to receipt of excess funds from Government of India under the Sub-head Sarva Shiksha Abhiyan. However, there was final saving of ₹ 54.22 crore.
- (ii) Under Grant No.7- 'Medical and Public Health' ₹ 56.99 crore was re-appropriated in anticipation of receipt of excess funds from Government of India under Delhi State Health Mission. However, there was final saving of ₹ 81.32 crore.
- (iii) Under Grant No.8- 'Social Welfare' ₹ 4.99 crore was re-appropriated due to good progress of scheme under the Sub-head Reimbursement of tuition Fees to Public Schools. However, there was final saving of ₹ 25.63 crore due to slow progress in the verification of forms/ shortage of staff.
- (iv) Under Grant No.10- 'Development' ₹ 3.29 crore was re-appropriated in anticipation of payment of old liabilities under Sub-head District Establishment. However, there was final saving of ₹ 7.35 crore due to non-execution of scanning/digitisation work.
- (v) Under Grant No.11- 'Urban Development and Public Works Department' ₹ 11.99 crore was re-appropriated under the Sub-head GIA to DUSIB. However, there was final saving of ₹ 12 crore due to scheme not fully implemented.

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

2.3.8 Substantial surrenders

Substantial surrenders involving ₹ 2,206.15 crore (more than ₹ 10 crore and 70 *per cent* of original provision) were made in respect of 44 sub-heads (**Appendix 2.5**), out of which in 12 sub-heads 100 *per cent* grant amounting

to ₹ 359.40 crore was surrendered on account of non-implementation of scheme, non-receipt of funds from GOI, non-release of funds, slow progress of schemes, non-finalisation of tenders and release of less grant.

Substantial surrenders amounting to ₹ 136.60 crore, ₹ 320.89 crore, ₹ 341.63 crore and ₹ 1,379.40 crore were made under Grant No. 6: Education, Grant No. 7: Medical and Public Health, Grant No.10: Development and Grant No.11: Urban development and Public Works.

2.3.9 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 minimise the scope for avoiding surrenders at a later stage. At the close of the year 2016-17, out of the savings of ₹ 8,835.42 crore under 10 grants where savings of ₹ one crore and above were indicated in each grant/appropriation, an amount of ₹ 3,575.75 crore (40.47 per cent of savings) was not surrendered, details of which are given in **Appendix 2.6**.

2.3.10 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 2017 and last quarter of the financial year 2016-17 under 32 sub-heads ranged between 53.75 per cent and 100 per cent of the total expenditure as given in **Appendix 2.7**.

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

2.3.11 Other audit observations

(a) Rule 8 of Delegation of Financial Power Rules, 1978 stipulates that provision under the head lump sum (Object head-42) will include expenditure in respect of scheme/sub-scheme/organisation where the provision does not exceed 10 lakh. In all other cases, break-up by other objects of expenditure must be given. Audit noted that in 367 cases, lump sum provisions exceeded ₹ 10 lakh limit but no break-up of expenditure was given.

The Government stated (October 2017) that remedial action for classification of the lump sum provisions under proper object class of expenditure has been taken.

(b) As per Rule 8 of Delegation of Financial Power Rules, 1978, the object heads such as 51- Motor Vehicles, 52- Machinery and Equipment and 53- Major Works fall under Object Class-6 (acquisition of Capital Assets and other Capital Expenditure). However, review of the Detailed Demands for

Grants for the year 2016-17 showed that in 74 cases (**Appendix 2.8**), an amount of ₹ 2,814.40 crore was incorrectly shown as capital expenditure instead of revenue expenditure.

The Government accepted (October 2017) the audit observation and stated that misclassifications would be corrected in the Detailed Demand for Grants 2018-19/ Revised Estimates 2017-18.

(c) Scrutiny of the Appropriation Accounts and Detailed Demands for Grants for the year 2016-17 showed that standard code 99 which is reserved for Information Technology is used for various other purposes in 101 cases. Due to wrong classification in this head, the amount shown under Information Technology is overstated by ₹ 1,705.04 crore (**Appendix 2.9**).

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 2016-17 were ₹ 357.42 crore against 'nil' anticipated recoveries.

2.5 Outcome of the Review of Grant No.10 - Development

A review of budgetary procedure and control over expenditure in respect of Grant No.-10- Development, Government of NCT of Delhi for the period 2014-17 conducted in September 2017 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
2014-15	1,900.35	397.52	1,664.98	266.28	235.37	131.24
2015-16	2,205.70	568.72	2,059.75	207.63	145.95	361.09
2016-17	2,756.22	309.47	1,598.63	222.61	1,157.59	86.86
Total	6,862.27	1,275.71	5,323.36	696.52	1,538.91	579.19

(ii) There were persistent savings of ₹ one crore or more in 5 cases/sub-heads under the grant which indicates unrealistic budgeting, deficient financial management.

(iii) Scrutiny of Section-wise Appropriation Accounts of grant revealed persistent savings of 7 to 42 *per cent* in revenue voted section and 78 to 100 *per cent* in revenue charged section while savings in Capital voted section were 28 to 63 *per cent* of the total grant indicating unrealistic budgeting and deficient financial provision.

- (iv) Re-appropriation in 55 cases proved unnecessary as the departments were not able to utilise fully their original grant. As a result, there was a cumulative non- utilisation of ₹ 44.75 crore in these cases during 2014-15 to 2016-17 against re-appropriation of ₹ 28.28 crore.
- (v) In 148 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 2.10**).
- (vi) 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 86 *per cent* and 100 *per cent* of the total expenditure.

2.6 Conclusion

Against total provision of ₹ 47,429.27 crore during 2016-17, an expenditure of ₹ 37,620.77 crore was incurred which resulted in savings of ₹ 9,808.50 crore (20.68 *per cent*). An excess expenditure of ₹ 91.05 crore relating to the period 2006-07 to 2016-17 required regularisation under Article 205 of the Constitution.

Supplementary provision of ₹ 27.32 crore in three sub-heads was unnecessary and re-appropriations of funds in 50 sub-heads where final savings were more than ₹ one crore was made injudiciously resulting in un-utilised/excessive provision of ₹ 475.39 crore. In 12 sub-heads, 100 *per cent* grant amounting to ₹ 359.40 crore was surrendered.

Re-appropriation in 55 cases was unnecessary as the departments did not utilise fully their original grant under Grant No. 10 –Development during the year 2014-15 to 2016-17.

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.