

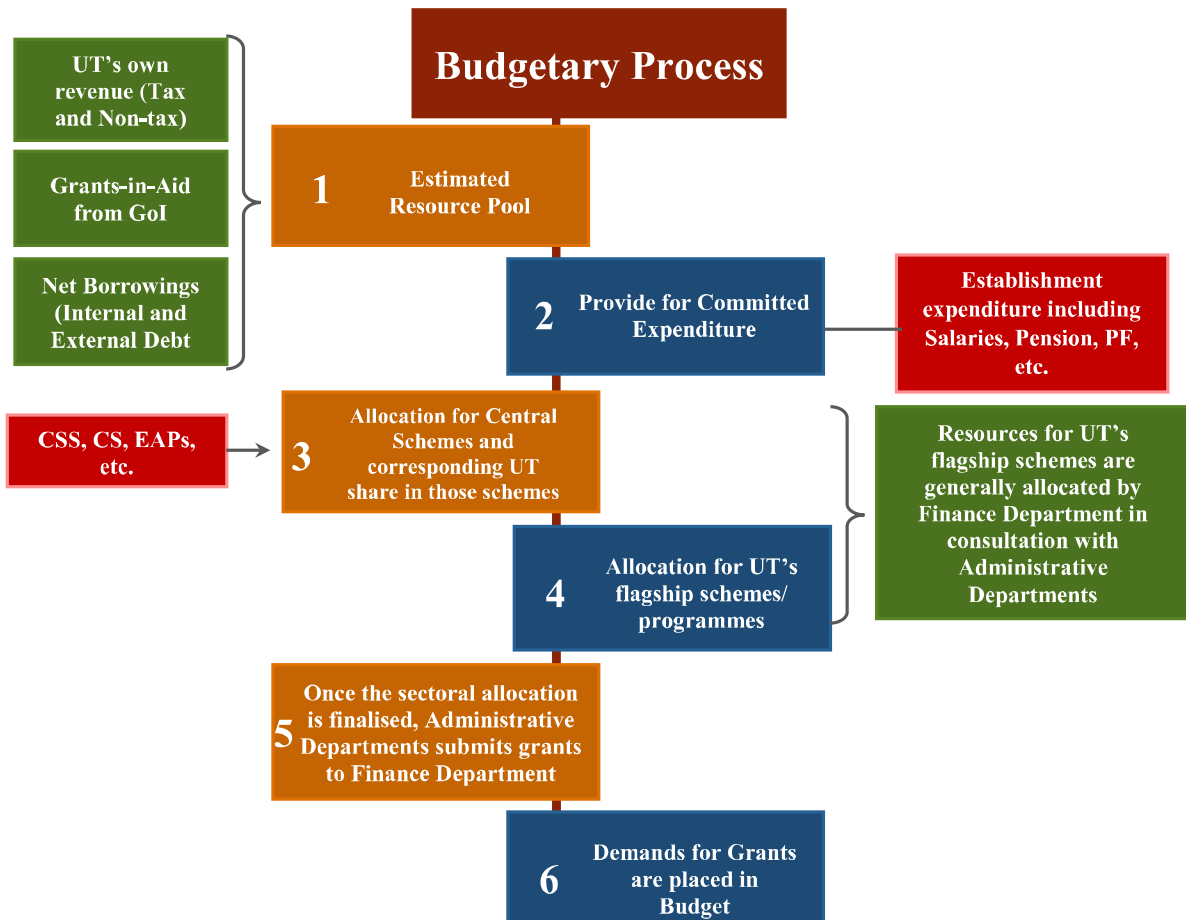
CHAPTER III
BUDGETARY
MANAGEMENT

CHAPTER III: BUDGETARY MANAGEMENT

This Chapter is based on the audit of the Appropriation Accounts of the Union Territory (UT) of Puducherry. It contains review of the integrity, transparency and effectiveness of the budgetary process and allocative priorities, including supplementary grants and the concomitant financial management, assessing whether decisions taken at the policy level are implemented at the administrative level without diversion of funds.

3.1 Budget Process

The annual exercise of budgeting is a means for detailing the roadmap for efficient use of public resources. Budget glossary is given in **Appendix 3.1**. The Budget process commences with the issue of the Budget Circular, normally in August each year, providing guidance to the Departments in framing their estimates for the next financial year. A typical budget preparation process in the UT is given in the flow chart below:



CSS: Centrally Sponsored Schemes; CS: Central Schemes; EAP: Externally Aided Projects

The Finance Bill, Annual Financial Statement (Budget) and Demands for Grants are mandated by Sections 23, 27, and 28(2) of the Government of Union Territories Act, 1963 (UT Act) respectively.

Section 27 of the UT Act, 1963 requires laying of a statement of the estimated receipts and expenditure of the UT for that year as the "Annual Financial Statement" before the House of the Legislature of the UT. The Annual Financial Statement should show expenditure charged on Consolidated Fund and other expenditure separately. It shall also distinguish expenditure on revenue account from other expenditure.

No money shall be withdrawn from the Consolidated Fund of the UT except under appropriation made by law passed in accordance with provisions of Section 29 of the UT Act, 1963. Supplementary or Additional Grant or Appropriation is provided during the course of a financial year in accordance with Section 30 of the UT Act, 1963.

Apart from supplementary grant, re-appropriation can also be used to re-allocate funds within a Grant. Re-appropriation is the transfer, by competent authority, of savings from one unit of appropriation to meet additional expenditure under another unit within the same section (Revenue-Voted, Revenue-Charged, Capital-Voted, Capital-Charged) of the Grant or Charged Appropriation.

3.1.1 Summary of total provisions, actual disbursements and savings during 2019-20

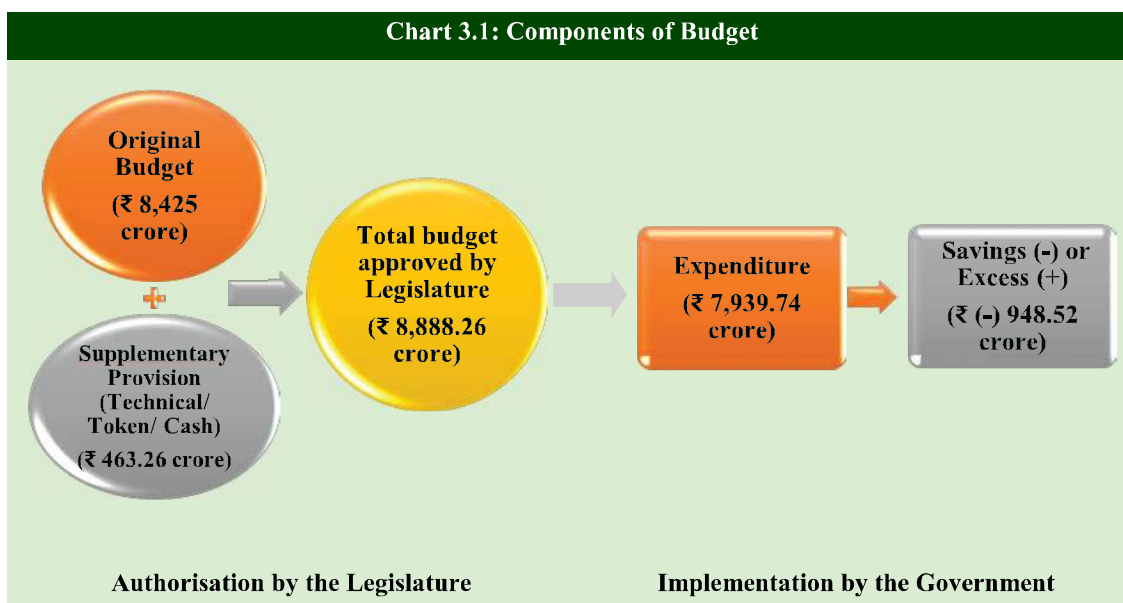
A summarised position of total budget provision, disbursements and saving/excess with bifurcation into voted/charged for the year 2019-20 are given in **Table 3.1**.

Table 3.1: Budget provision, disbursement and savings/excess during 2019-20

(₹ in crore)

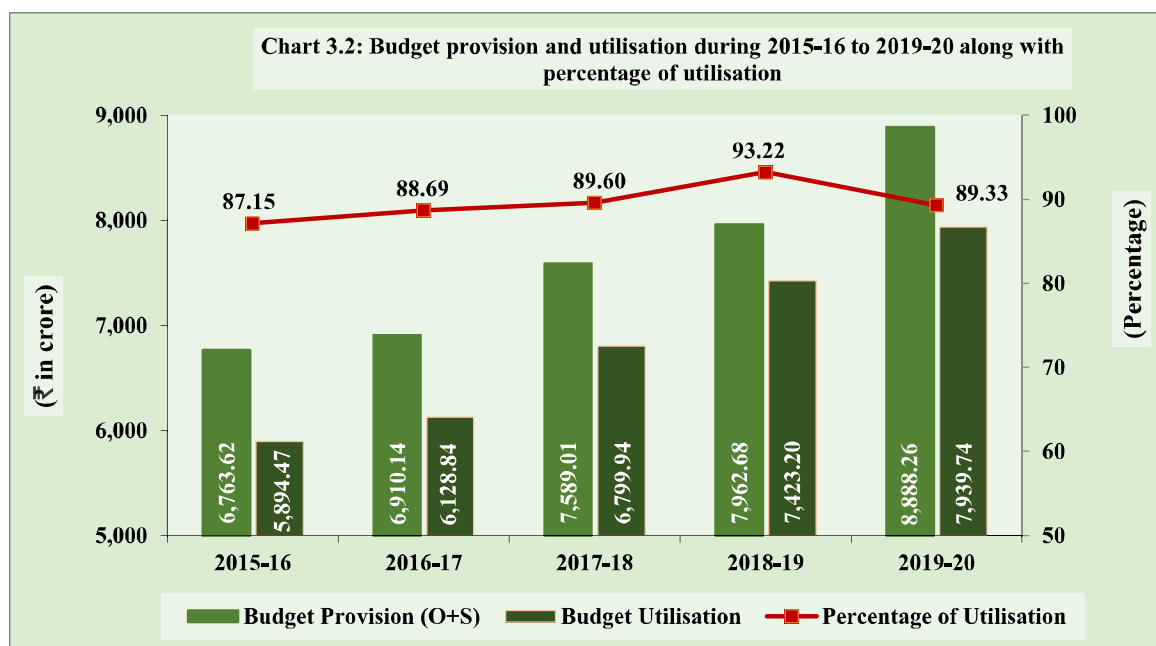
Total Budget provision		Disbursements		Saving (-) /Excess (+)	
Voted	Charged	Voted	Charged	Voted	Charged
7,054.42	1,833.84	6,361.99	1,577.75	(-) 692.43 (9.82 per cent)	(-) 256.09 (13.96 per cent)

The total amount approved by the UT Legislature including Original and Supplementary budgets, expenditure and savings during 2019-20 are depicted in the **Chart 3.1**.



The total provision authorised by the UT legislature including original and supplementary budget was ₹ 8,888.26 crore, out of which, an expenditure of ₹ 7,939.74 crore was incurred resulting in savings of ₹ 948.52 crore. Out the savings of ₹ 948.52 crore, an amount of ₹ 363.26 crore (38.30 *per cent*) was surrendered on 31 March 2020. In view of the overall savings, the Supplementary provision of ₹ 463.26 crore in 19 Grants proved unnecessary.

The following **Chart 3.2** shows the Budget provision and utilisation during 2015-16 to 2019-20.



(Source: Appropriation Accounts of the respective years)

During the year 2019-20, as against the total budget provision of ₹ 8,888.26 crore, the expenditure incurred was ₹ 7,939.74 crore which was 89.33 per cent of the total provision. The decline in utilisation during 2019-20 was mainly due to following reasons:

- Under Grant Number 10 - District Administration, as against the total provision of ₹ 233.22 crore under Revenue, expenditure of ₹ 121.51 crore has been incurred resulting in savings of ₹ 111.71 crore.
- Under Grant Number 16 - Public Works, as against the total provision of ₹ 211.43 crore under Capital, expenditure of ₹ 96.49 crore has been incurred resulting in savings of ₹ 114.94 crore.
- Under Grant Number 17 - Education, as against the total provision of ₹ 931.18 crore under Revenue, expenditure of ₹ 838.64 crore has been incurred resulting in savings of ₹ 92.54 crore.

The reasons for savings in the above three grants have been discussed under paragraph 3.3.6.4.

Similarly, under Grant Number 33 - Public Debt, as against the total provision of ₹ 925.33 crore under Revenue, expenditure of ₹ 684.93 crore alone has been incurred resulting in savings of ₹ 240.40 crore.

3.1.2 Charged and voted disbursements

The details of provision for voted grants and charged appropriations, disbursements and savings during 2015-16 to 2019-20 are given in **Table 3.2**.

Table 3.2: Total disbursement into charged and voted during 2015-20

(₹ in crore)

Year	Provisions		Disbursements		Savings(-) /Excess(+)	
	Voted	Charged	Voted	Charged	Voted (%)	Charged (%)
2015-16	5,963.79	799.83	5,173.38	745.31	(-) 790.41 (13.25)	(-) 54.52 (6.82)
2016-17	6,010.07	900.06	5,318.67	825.82	(-) 691.40 (11.50)	(-) 74.24 (8.25)
2017-18	6,056.59	1,532.42	5,509.60	1,290.34	(-) 546.99 (9.03)	(-) 242.08 (15.80)
2018-19	6,551.92	1,410.76	6,018.21	1,405.00	(-) 533.71 (8.15)	(-) 5.76 (0.41)
2019-20	7,054.42	1,833.84	6,361.99	1,577.75	(-) 692.43 (9.82)	(-) 256.09 (13.96)

(Source: Appropriation Accounts of the respective years)

Though the total disbursement of voted grants increased by 22.98 per cent from ₹ 5,173.38 crore in 2015-16 to ₹ 6,361.99 crore in 2019-20, the increase

in charged appropriations was 111.69 *per cent i.e.*, from ₹ 745.31 crore in 2015-16 to ₹ 1,577.75 crore in 2019-20. The increase in charged appropriations was mainly due to increase in public debt repayment from ₹ 168.75 crore in 2015-16 to ₹ 638.69 crore in 2018-19 and increase in interest payments from ₹ 550.02 crore in 2015-16 to ₹ 732.99 crore in 2018-19. Though the Public Debt repayment further increased to ₹ 762.04 crore, the interest payment has been reduced to ₹ 684.93 crore in 2019-20.

The total savings in voted grants, though decreased from 13.25 *per cent* in 2015-16 to 9.82 *per cent* in 2019-20, it had increased from 6.82 *per cent* in 2015-16 to 13.96 *per cent* in 2019-20 in respect of charged appropriations, which was indicative of incorrect estimation of requirement even in respect of committed liability of debt repayment and interest.

3.2 Appropriation Accounts

Appropriation Accounts are accounts of the expenditure of the Government for each financial year compared with the amounts of voted grants and charged appropriations for different purposes as specified in the schedules appended to the Appropriation Act. These Accounts depict the original budget provision, supplementary grants, surrenders and re-appropriations 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 understanding of utilisation of funds and are, therefore, complementary to the Finance Accounts.

Audit of appropriations by the CAG seeks to ascertain whether the expenditure actually incurred under various grants is in accordance with the authorisation given under the Appropriation Act and that the expenditure required to be charged under the provisions of the UT Act, 1963 (Section 23). It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

3.3 Integrity of budgetary and accounting process

3.3.1 Expenditure incurred without authority of law

No money shall be withdrawn from the Consolidated Fund except under appropriation made by law passed in accordance with the provisions of Section 29 (3) of the UT Act, 1963. Expenditure on new scheme/service

should not be incurred without provision of funds except after obtaining additional funds by supplementary grant or re-appropriation or an advance from the Contingency Fund.

3.3.1.1 *Expenditure without provision in original/supplementary grant*

Expenditure shall neither be incurred in excess of the sanctioned allotment nor on the items for which no provision has been made in the budget. However, it was noticed that an amount of ₹ 3.39 crore was re-appropriated under five heads without any original or supplementary budget provision and expenditure of ₹ 3.28 crore was incurred as detailed in **Table 3.3**.

Table 3.3: Details of expenditure incurred without any original or supplementary provision

(₹ in lakh)

Sl. No.	Grant No	Head of Account					Re-appropriation	Expenditure
1	04	2014	00	117	01	02	16.44	15.46
2	04	2014	00	800	05	01	20.00	10.00
3	17	2202	80	107	09	01	0.10	0.10
4	27	2505	02	101	02	02	26.25	26.25
5	27	2505	02	789	04	01	276.66	276.66
Total							339.45	328.47

(Source: Appropriation Accounts 2019-20)

3.3.2 **Transfers not mandated by the Appropriation Act**

The Appropriation Act authorises incurrence of expenditure under specified Grants during the financial year. Hence, transfer of amounts from the Consolidated Fund of the UT into Public Account was not permissible. However, an amount of ₹ 5.18 crore sanctioned by Health Department towards purchase of life saving equipment and consumables for prevention of COVID-19 was drawn and deposited in the Public Account “8443 - Civil Deposits - 800 - Other Deposits” to avoid lapse of budget provision.

3.3.3 **Unnecessary or excessive supplementary grants**

As per Section 30 of the UT Act, 1963, a supplementary or additional grant or appropriation over the provision made by the Appropriation Act for the year

can be made during the current financial year, but not after the expiry of the current financial year as is necessary to meet-

- Expenditure on Schemes of New Expenditure to be taken up within the current financial year.
- Inadequacy of provision.
- Fresh expenditure, but not technically “Schemes of New Expenditure”.
- Omissions of provision.

When such additional expenditure is found to be inevitable and there is no possibility of effecting savings within the grant to cover the excess by re-appropriation, the Secretary in the Department concerned proposes to the Finance Department for supplementary or additional grant or appropriation.

The instances where such supplementary grant proved unnecessary has been discussed in the succeeding paragraph.

3.3.4 Unnecessary supplementary provision

Supplementary provision of ₹ 50 lakh or more aggregating ₹ 448.61 crore obtained in 15 grants/appropriations during the year 2019-20 was proved excessive to the extent of ₹ 375.20 crore as detailed in **Table 3.4**.

Table 3.4: Details of grants where supplementary provision of ₹ 50 lakh or more proved excessive

(₹ in crore)

Sl. No	Name of the Grant	Original	Supplementary	Provision	Expenditure	Savings
(A) Revenue - Voted						
1	03 - Council of Ministers	10.55	0.98	11.53	10.58	0.95
2	06 - Revenue and Food	292.80	15.89	308.69	303.28	5.40
3	10 - District Administration	228.06	5.16	233.22	121.52	111.71
4	12 - Police	243.80	26.42	270.22	261.11	9.11
5	15 - Retirement Benefits	930.00	57.92	987.92	983.96	3.96
6	17 - Education	919.95	11.23	931.18	838.64	92.54
7	18 - Medical	586.35	68.31	654.66	622.58	32.08
8	20 - Labour and Employment	38.68	5.03	43.71	38.99	4.72
9	21 - Social Welfare	690.24	24.26	714.50	667.38	47.12

Sl. No	Name of the Grant	Original	Supplementary	Provision	Expenditure	Savings
10	24 - Agriculture	111.78	2.72	114.50	101.48	13.02
11	25 - Animal Husbandry	39.05	3.05	42.10	35.42	6.68
12	29 - Electricity	1,411.21	23.40	1,434.61	1,425.15	9.46
13	32 - Building Programmes	12.02	0.56	12.58	6.91	5.67
Total (A)		5,514.49	244.93	5,759.42	5,417.00	342.42
(B) Capital - Voted						
14	10 - District Administration	0.00	2.34	2.34	0.00	2.34
15	29 - Electricity	56.94	5.42	62.36	40.47	21.89
Total (B)		56.94	7.76	64.70	40.47	24.23
(C) Capital - Charged						
16	17 - Education	1.10	3.93	5.03	1.10	3.93
17	30 - Ports and Pilotage	0.00	0.66	0.66	0.00	0.66
18	33 - Public debt	574.67	191.33	766.00	762.04	3.96
Total (C)		575.77	195.92	771.69	763.14	8.55
Grand Total		6,147.20	448.61	6,595.81	6,220.61	375.20

(Source: Appropriation Accounts 2019-20)

In respect of 11 cases under five grants, as against the original provision of ₹ 71.95 crore, the total expenditure was only ₹ 61.35 crore. However, a sum of ₹ 20.03 crore was also provided in the supplementary grant which proved wholly unnecessary in view of the total savings of ₹ 30.63 crore (**Appendix 3.2**).

It was also seen that in respect of 29 cases under 10 grants, in addition to original provision of ₹ 765.77 crore, an amount of ₹ 90.58 crore was provided in the supplementary grant. However, the expenditure incurred was ₹ 833.09 crore only. Thus, the supplementary grant provided proved excessive to the extent of ₹ 23.26 crore as detailed in **Appendix 3.3**.

3.3.5 Unnecessary/excessive/injudicious re-appropriation

Re-appropriation was transfer of funds within a grant from one unit of appropriation, where savings are anticipated to another unit where additional funds are needed.

During 2019-20, re-appropriation order was issued on 31 March 2020 for ₹ 250.77 crore which dilutes the process of budgeting and expenditure control. It implies that re-appropriation orders were proposed *ex post facto* without necessary provision in the respective heads.

It was noticed that during 2019-20, the re-appropriations made were proved unnecessary or excessive in 230 sub-heads. It was also seen that in 74 sub-heads, unnecessary provision of more than ₹ 10 lakh were made by re-appropriation to the tune of ₹ 50.44 crore wherein the expenditure incurred was ₹ 416.10 crore under these heads which was within the total provision of ₹ 517.42 crore as indicated in **Appendix 3.4**. Further, out of these 74 sub-heads, no expenditure was incurred under 17 sub-heads.

3.3.6 Unspent amount and large savings/surrenders

Complete accuracy of estimates may not always be possible. Rule 52 and Appendix 3 of General Financial Rules, 2017 (GFR) contemplated that the budget estimate should provide for everything that can be foreseen and provide only as much as is necessary. Rule 62 of GFR contemplated that the savings as well as provisions that cannot be used should be surrendered to Government immediately they are foreseen without waiting till the end of the year. No savings shall be held in reserve for possible future excesses. The instances of huge savings and surrenders are discussed in the succeeding paragraphs.

3.3.6.1 *Anticipated savings not surrendered*

Out of total savings of ₹ 948.52 crore, an amount of ₹ 363.26 crore was surrendered on 31 March 2020. It was noticed that in respect of 22 grants/appropriations with savings of ₹ 895.07 crore (savings of ₹ one crore and above), ₹ 565.73 crore (63.20 *per cent* of savings) was not surrendered. It was also noticed that in respect of 17 grants/appropriations with a savings of ₹ 378.59 crore, no amount was surrendered. The details are given in **Appendix 3.5**.

3.3.6.2 *Substantial surrenders*

Substantial surrenders (cases where more than 50 *per cent* of the total provision and more than ₹ 10 lakh was surrendered) were made in 25 sub-heads. Out of the total provision of ₹ 178.80 crore made under these sub-heads, ₹ 144.53 crore (81 *per cent*) was surrendered (**Appendix 3.6**). This

indicated inadequate financial control and non-availability of funds for other development purposes since surrenders were made on the last day of the financial year.

3.3.6.3 Grants having huge savings

During 2019-20, out of total 33 grants, there was savings of ₹ 596.27 crore (62.86 per cent of total savings of ₹ 948.52 crore) in 13 grants exceeding ₹ 10 crore in each case (above ₹ 50 crore in three grants). The details are indicated in **Table 3.5**.

Table 3.5: List of grants with savings of ₹ 10 crore or more

(₹ in crore)

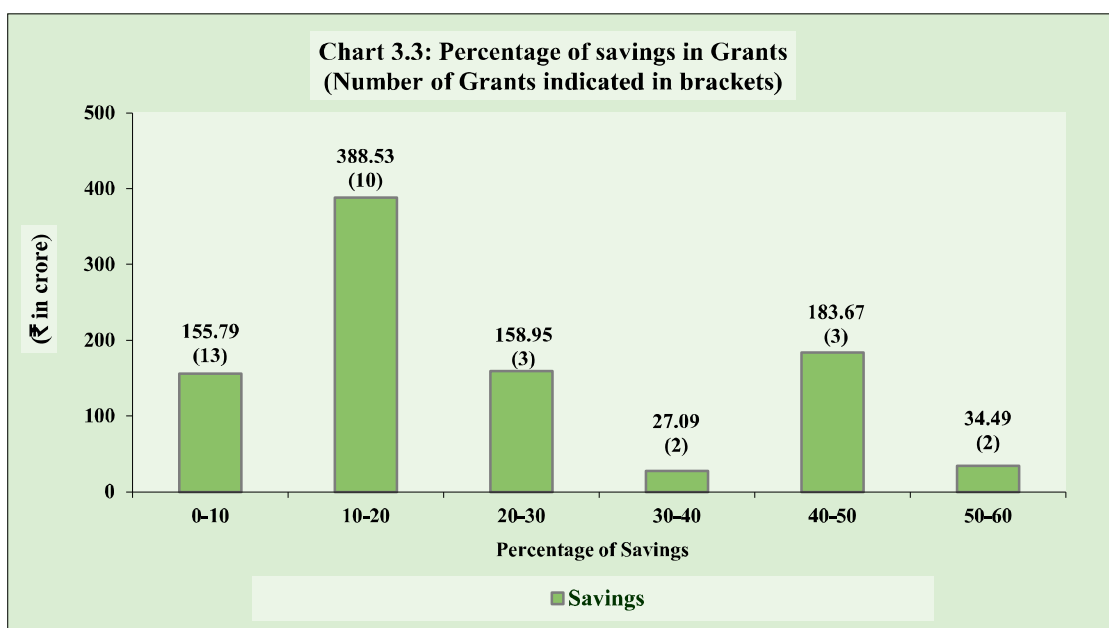
Sl. No	Grant	Description	Original	Supplementary	Total	Expenditure	Savings	Amount surrendered	Percentage
(A) Revenue - Voted									
1	09	Secretariat	70.00	0.00	70.00	46.72	23.28	21.60	33.26
2	10	District Administration	228.06	5.16	233.22	121.52	111.71	0.00	47.90
3	16	Public Works	339.84	0.00	339.84	319.00	20.84	11.85	6.13
4	17	Education	919.95	11.23	931.18	838.64	92.54	0.00	9.94
5	18	Medical	586.35	68.31	654.66	622.58	32.08	0.00	4.90
6	19	Information and Publicity	31.40	0.00	31.40	20.27	11.13	2.73	35.45
7	21	Social Welfare	690.24	24.26	714.50	667.38	47.12	0.00	6.59
8	24	Agriculture	111.78	2.72	114.50	101.48	13.02	0.00	11.37
9	26	Fisheries	58.81	0.00	58.81	48.15	10.67	3.84	18.14
10	27	Community Development	58.96	0.00	58.96	31.79	27.17	19.72	46.08
11	28	Industries	96.74	0.00	96.74	85.93	10.81	2.75	11.17
Total (A)			3,192.13	111.68	3,303.81	2,903.46	400.37	62.49	
(B) Capital - Voted									
12	16	Public Works	211.43	0.00	211.43	96.49	114.93	63.51	54.36
13	19	Information and Publicity	23.20	0.00	23.20	0.00	23.20	23.20	100.00

Sl. No	Grant	Description	Original	Supplementary	Total	Expenditure	Savings	Amount surrendered	Percentage
14	29	Electricity	56.94	5.42	62.36	40.47	21.89	0.00	35.10
15	32	Building Programmes	70.17	0.00	70.17	34.29	35.88	6.37	51.13
Total (B)			361.74	5.42	367.16	171.25	195.90	93.08	
Grand total			3,553.87	117.10	3,670.97	3,074.71	596.27	155.57	

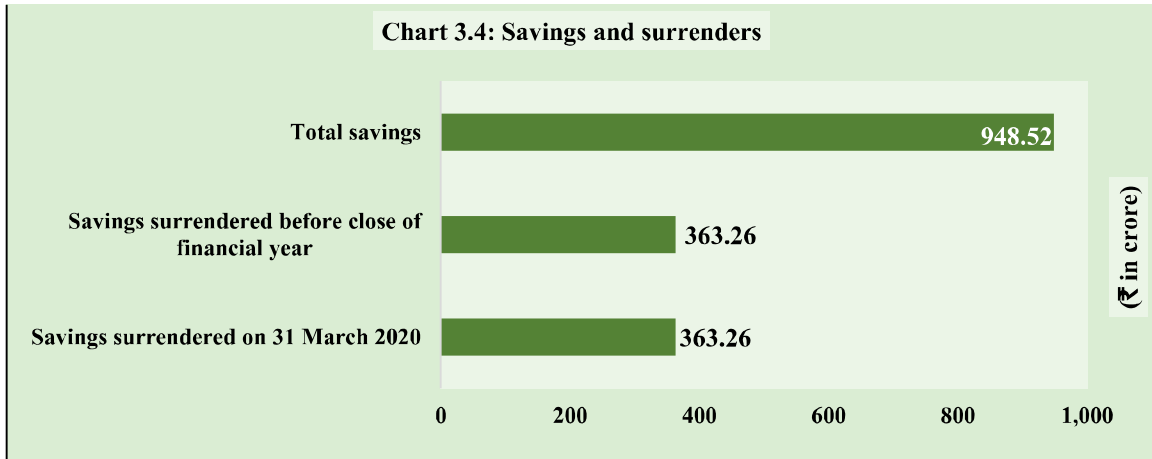
(Source: Appropriation Accounts 2019-20)

It was noticed that in 122 cases (sub-heads), savings exceeded ₹ 50 lakh in each case and by more than 50 *per cent* of the total provision (**Appendix 3.7**), wherein out of total provision of ₹ 613.82 crore, savings amounted to ₹ 528.62 crore (86.12 *per cent*). Further, out of 122 cases, against the provision of ₹ 263.77 crore, no expenditure was incurred in respect of 54 cases. This was indicative of improper estimation of requirement.

The following **Chart 3.3** depicts the distribution of the number of Grants/Appropriations grouped by the percentage of savings along with total savings in ₹ in crore in each group.



The following **Chart 3.4** shows the savings and surrenders during 2019-20.



Out of the overall savings of ₹ 948.52 crore, only ₹ 363.26 crore (38 per cent) alone was surrendered and that too was made on 31 March 2020, giving no scope for utilisation of the amount surrendered.

3.3.6.4 Persistent savings

Out of 33 grants, savings of more than ₹ 50 lakh was noticed persistently under 20 grants during the last five years. Details of the savings are indicated in **Table 3.6**.

Table 3.6: List of grants having persistent savings of more than ₹ 50 lakh during 2015-20
(₹ in crore)

Sl. No.	Grant Number and description		Amount of savings				
			2015-16	2016-17	2017-18	2018-19	2019-20
(A) Revenue - Voted							
1	6	Revenue and Food	26.56	83.01	26.64	26.16	5.40
2	9	Secretariat	24.92	24.60	13.32	8.09	23.28
3	10	District Administration	98.09	52.05	11.67	39.47	111.71
4	12	Police	15.09	13.77	10.25	5.81	9.11
5	16	Public Works	20.69	14.23	9.50	18.14	20.84
6	17	Education	140.81	90.90	93.85	29.79	92.54
7	18	Medical	74.01	23.84	11.39	15.77	32.08
8	19	Information and Publicity	7.37	9.41	8.60	5.17	11.13
9	20	Labour and Employment	4.66	1.05	3.55	6.24	4.72
10	21	Social Welfare	31.13	29.30	79.07	32.99	47.12
11	22	Co-operative	2.76	11.41	15.80	3.92	4.85
12	23	Statistics	1.30	0.56	1.42	0.75	0.55
13	24	Agriculture	33.30	22.93	29.27	13.56	13.02

Sl. No.	Grant Number and description		Amount of savings				
			2015-16	2016-17	2017-18	2018-19	2019-20
14	25	Animal Husbandry	8.11	5.91	3.81	1.90	6.68
15	26	Fisheries	0.83	1.84	3.64	7.68	10.67
16	27	Community Development	20.81	17.96	12.32	28.93	27.17
17	28	Industries	5.78	6.97	12.74	5.37	10.81
18	29	Electricity	60.76	11.07	0.80	33.20	9.46
19	32	Building Programmes	7.42	7.02	2.84	1.52	5.67
Total (A)			584.40	427.83	350.48	284.46	446.81
(B) Capital - Voted							
1	16	Public Works	83.94	168.32	109.63	44.15	114.93
2	29	Electricity	48.38	4.35	9.32	21.75	21.89
3	30	Ports and Pilotage	7.94	0.83	3.09	18.03	1.22
4	32	Building Programmes	53.45	59.56	39.10	24.95	35.88
Total (B)			193.71	233.06	161.14	108.88	173.92
Grand Total			778.11	660.89	511.62	393.34	620.73

(Source: Appropriation Accounts of the respective years)

Grant No. 10 - District Administration - The persistent savings ranged between ₹ 11.67 crore and ₹ 111.71 crore of the total budget during 2015-20. During 2019-20, the savings of ₹ 111.71 crore was mainly due to savings of the entire provision of ₹ 44.89 crore under MLA's Local Area Development Scheme. The specific reason for savings was not furnished. Out of the savings of ₹ 111.71 crore, no amount was surrendered.

Grant No. 16 - Public Works - The persistent savings under Capital head ranged between ₹ 44.15 crore and ₹ 168.32 crore of the total budget during 2015-20. During 2019-20, the savings of ₹ 114.93 crore was mainly due to withdrawal of the entire provision of ₹ 50 crore made for Augmentation of water supply source and rehabilitation system in Urban areas of Puducherry (Agency Francaise Development). Out of the savings of ₹ 114.93 crore, only ₹ 63.51 crore (55.26 per cent) was surrendered.

Grant No. 17 - Education - The persistent savings ranged between ₹ 29.79 crore and ₹ 140.81 crore of the total budget during 2015-20. The reasons for savings of ₹ 92.54 crore during 2019-20 was mainly due to non-granting of revised pay scales and less release of financial assistance to students undergoing professional courses due to non-receipt of MBBS renewal applications. Further, there was also considerable decrease in renewal of cases

due to failures in semesters. Out of the savings of ₹ 92.54 crore, no amount was surrendered.

3.4 Comments on effectiveness of budgetary and accounting process

Efficient management of tax administration/other receipts and public expenditure holds the balance for achievement of various fiscal indicators. Budgetary allocations based on unrealistic proposals, poor expenditure monitoring mechanism, weak scheme implementation capacities/weak internal controls lead to sub-optimal allocation among various developmental needs. Excessive savings in some departments deprives other departments of the funds which could have been utilised.

3.4.1 Budget projection and gap between expectation and actuals

The summarised position of actual expenditure *vis-à-vis* Budget provision (Original and Supplementary) during 2019-20 (Voted Grants/Charged Appropriations) is given in Table 3.7.

Table 3.7: 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 on 31 March 2020	Percentage of savings surrendered during March 2020
Voted	I Revenue	6,371.08	244.96	6,616.04	6,150.35	(-) 465.69	70.99	15.24
	II Capital	424.80	6.33	431.13	211.53	(-) 219.60	101.51	46.22
	III Loans and Advances	5.25	2.00	7.25	0.11	(-) 7.14	0.12	1.82
Total - Voted		6,801.13	253.29	7,054.42	6,361.99	(-) 692.43	172.62	24.93
Charged	IV Revenue	933.92	0.33	934.25	691.98	(-) 242.27	190.64	78.69
	V Capital	115.28	18.31	133.59	123.72	(-) 9.87	0.00	0.00
	VI Public Debt-Repayment	574.67	191.33	766.00	762.04	(-) 3.96	0.00	0.00
Total - Charged		1,623.87	209.97	1,833.84	1,577.75	(-) 256.09	190.64	74.44
Grand total		8,425.00	463.26	8,888.26	7,939.74	(-) 948.52	363.26	38.30

¹ Excludes recoveries shown as reduction of expenditure.

- The overall savings of ₹ 948.52 crore worked out to 10.67 *per cent* of total provision including supplementary provision made against the respective grants in 2019-20.
- Out of the savings of ₹ 948.52 crore, an amount of ₹ 363.26 crore was surrendered on the last day of financial year depriving funds for other development purposes.
- Savings of ₹ 707.96 crore in 31 grants and 11 appropriations under Revenue section, ₹ 229.47 crore in 19 grants and 10 appropriations under Capital section and ₹ 11.10 crore under Loan section had occurred.
- As against the original provision of ₹ 8,425 crore, an expenditure of ₹ 7,939.74 crore was incurred. In view of an overall savings of ₹ 948.52 crore, the supplementary provision of ₹ 463.26 crore proved unnecessary.

Trends of expenditure during the past five years with reference to Original Budget and Revised Estimates are given in **Table 3.8**.

Table 3.8: Original Budget, Revised Estimate and Actual Expenditure during 2015-20
(₹ in crore)

	2015-16	2016-17	2017-18	2018-19	2019-20
Original provision	6,450.00	6,665.01	6,945.00	7,530.00	8,425.00
Supplementary provision	313.62	245.13	644.01	432.68	463.26
Total Provision	6,763.62	6,910.14	7,589.01	7,962.68	8,888.26
Actual expenditure	5,894.47	6,128.84	6,799.94	7,423.20	7,939.74
Savings (-)/excess (+)	(-) 869.15	(-) 781.30	(-) 789.07	(-) 539.48	(-) 948.52
Percentage of savings	12.85	11.31	10.40	6.78	10.67

(Source: Appropriation Accounts of respective years)

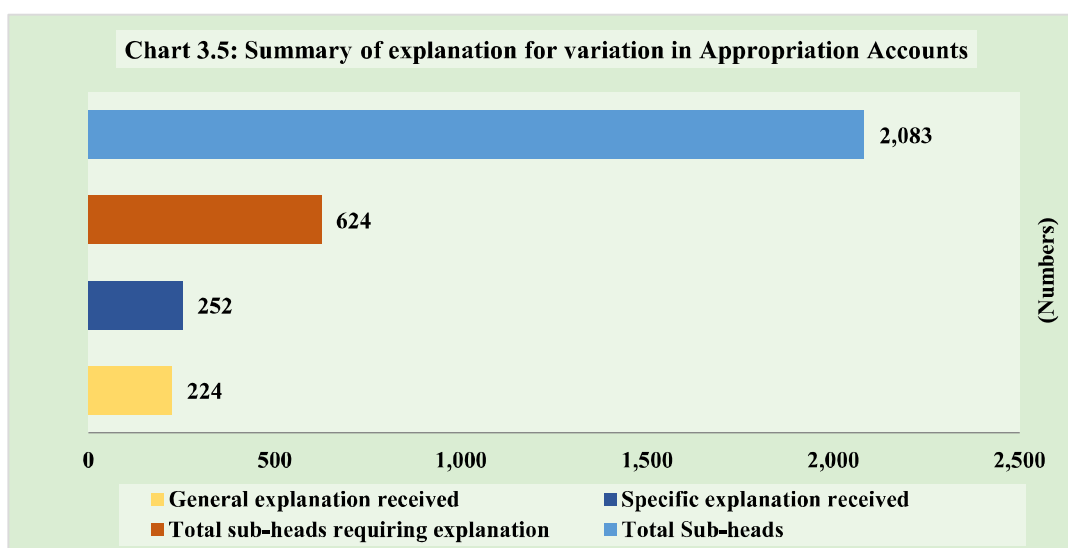
It could be seen from **Table 3.8** that during all the five years, the savings was very much higher than the supplementary provisions indicating improper estimation of requirement.

The savings in total provision ranged between 6.78 *per cent* and 12.85 *per cent* during 2015-20. The savings in total provision though declined from 12.85 *per cent* in 2015-16 to 6.78 *per cent* in 2018-19, it had increased to 10.67 *per cent* in 2019-20.

3.4.2 Reasons for savings/excess

Rule 57 of the GFR contemplates that the Heads of the Department should provide detailed reasons for any shortfall or excess over the budget provision.

It was, however, noticed that during re-appropriation, that in many cases, the reasons for savings/excess were general in nature. The details of cases where general/specific explanations given are depicted in **Chart 3.5**.



It could be seen from **Chart 3.5** that as against 624 sub-heads requiring explanation, the Departments have not furnished explanations for 148 sub-heads.

3.4.3 Major policy pronouncements in budget and their actual funding for ensuring implementation

Several policy initiatives taken up by Government are partially or not executed due to non-approval of scheme guidelines/modalities, non-commencement of works for want of administrative sanction, non-release of budget, etc. This deprives the beneficiaries of intended benefits.

It was noticed from the Budget Speech 2019-20 that some new schemes were pronounced under various departments. However, neither any budget provision was made nor any expenditure has been incurred on these schemes. The list of schemes along with reasons for non-implementation are detailed in **Table 3.9**.

Table 3.9: Details of schemes announced in the Budget Speech - 2019-20

Sl. No	Name of the Department	Scheme name	Objective of the scheme	Reasons
1	Transport	Setting up of an Institute of Driving Training and Research (IDTR) at Thengaithitu Revenue Village, Puducherry	To impart driving training both theoretical and practical to the existing and aspiring drivers.	The preliminary estimate for an amount of ₹ 8.50 crore for setting up of IDTR, Puducherry prepared by PWD was forwarded to the consultant for the project <i>i.e.</i> , Central Institute of Road Transport (CIRT), Pune for cost confirmation of the proposal.

2	Agriculture	Financial Assistance to Farmer Producer Companies	To provide one time financial assistance of ₹ 10 lakh per eligible farmer producer company.	Notification of the Guidelines for "Extending Financial Support to Farmer Producer Companies" (FPCs) was issued by the Government vide GO Ms. No 33/AG dated 25.02.2020. Funds for this scheme was proposed to be accommodated under the scheme "Crop Production Technology". The scheme is yet to be implemented.
3	Health and Family Welfare	Block Chain Technology	To provide regular medical assistance to Diabetic patients by collecting health data of the patients through mobile/iPad	The scheme "Block Chain Technology" has not been implemented in the Indira Gandhi Government General Hospital and Research Institute, Puducherry.
4	Labour	Construction of new Speciality Hospital with 50 beds with the assistance of Employees' State Insurance Corporation	Improving health care facilities to workers/labourers and to create a healthy working environment.	The Department stated that there is no proposal to construct a new specialty hospital with 50 beds with assistance of Employees' State Insurance Corporation. However, for setting up of 100 bedded Model ESI Hospital, Government of India has sought proposal for in-principle approval of existing 75 bedded hospital.

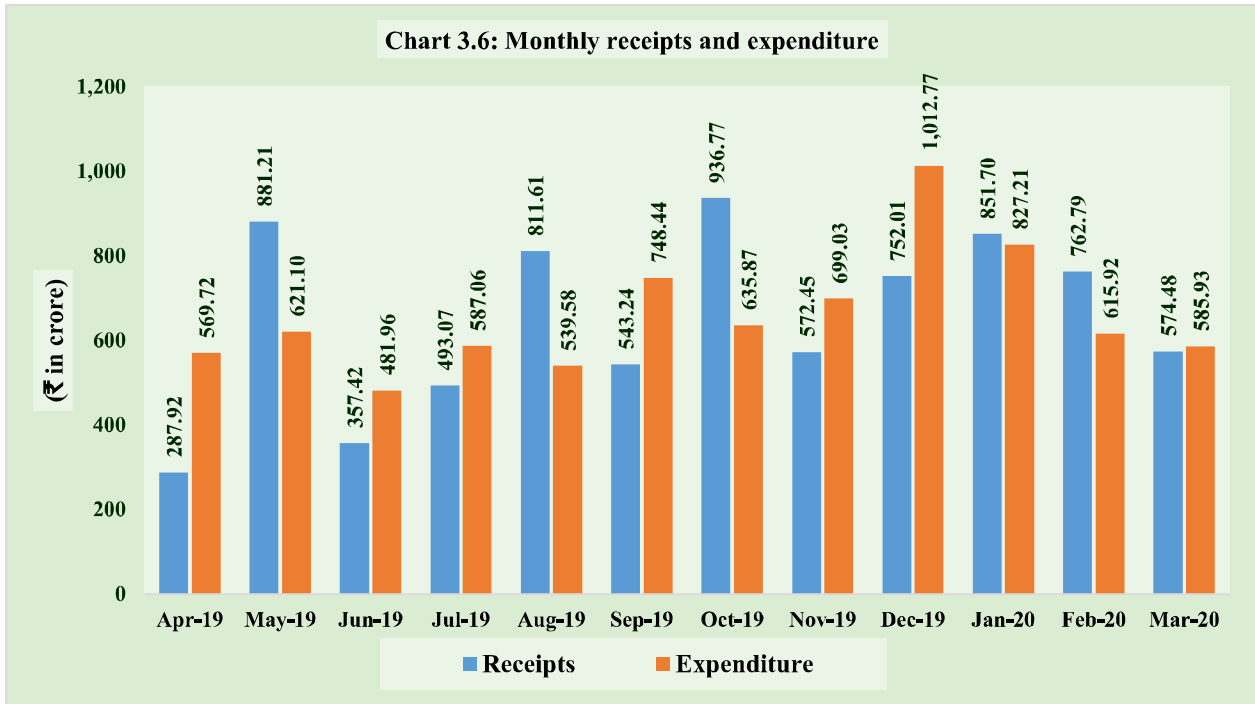
In addition to the above, audit observed that out of the total provision of ₹ 106.90 crore (₹ one crore and above) in 11 schemes under six grants, no expenditure was incurred as detailed in **Appendix 3.8**. Withdrawal of entire amount not only indicates deprivation of the benefits of the scheme, but also deprives the other departments of the funds required.

3.4.4 Rush of expenditure

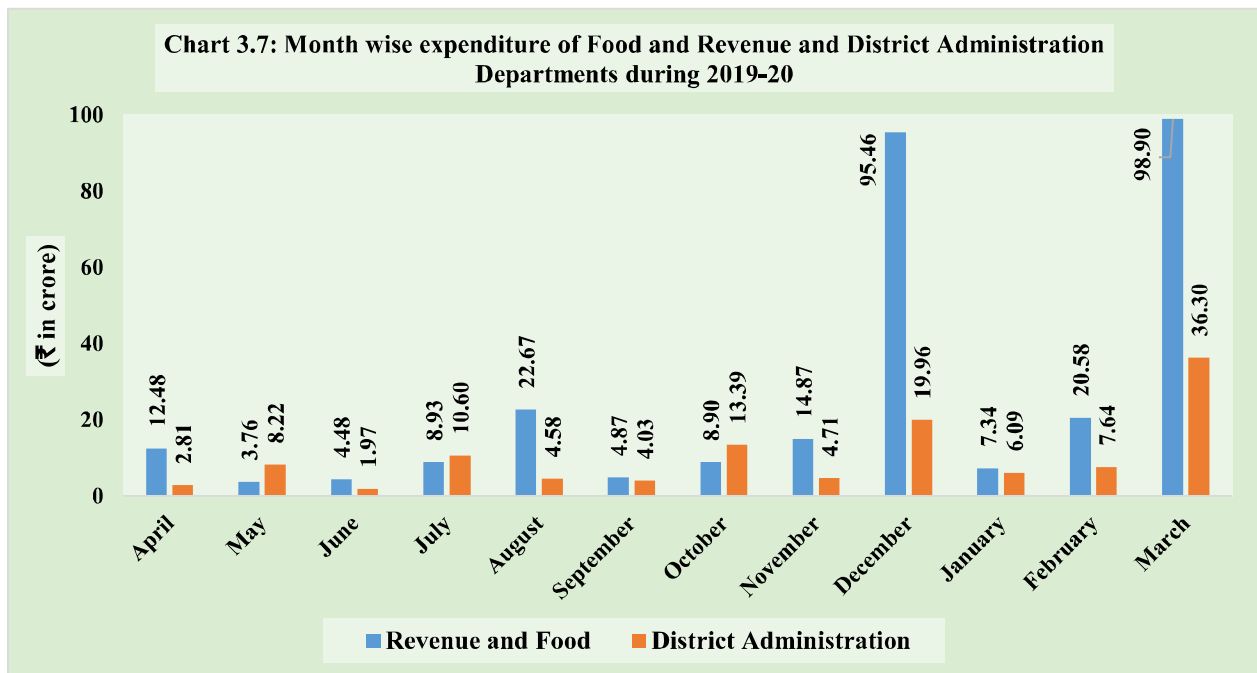
According to Rule 62 (3) of the GFR, rush of expenditure particularly in the closing months of the financial year should be avoided. Contrary to this, in respect of 39 sub-heads listed in **Appendix 3.9**, expenditure exceeding ₹ 50 lakh and by more than 50 *per cent* of the total expenditure for the year was incurred in March 2020. It was further observed that in respect Grant No. 22 - Cooperation and Grant No. 27 - Community Development, out of the total expenditure of ₹ 48.32 crore and ₹ 31.79 crore incurred respectively, a sum of ₹ 30.96 crore (60.46 *per cent*) and ₹ 15.94 crore (50.14 *per cent*) were spent in the last quarter of 2019-20. Uniform flow of

expenditure, which was a primary requirement of budgetary control mechanism and sound financial management, was not maintained.

The monthly receipts and expenditure of the UT Government during 2019-20 is given in **Chart 3.6**.



The month-wise expenditure during 2019-20 under Grant No. 6 - Revenue and Food and Grant No. 10 - District Administration, where rush of expenditure was noticed are depicted in **Chart 3.7**.



It could be seen from **Chart 3.7** that in Grant No 6 - Revenue and Food and Grant No 10 - District Administration, a total expenditure of ₹ 303.23 crore and ₹ 120.29 crore was incurred during 2019-20. The expenditure incurred during the month of March 2020 alone was ₹ 98.90 crore and ₹ 36.30 crore which was 32.62 *per cent* and 30.17 *per cent* respectively of the total expenditure. The rush of expenditure in these two grants at the end of the financial year was regarded as a breach of financial propriety.

3.4.5 Review of selected grants

A review of the budgetary procedure and control over expenditure followed in Grant Number 16 - Public Works revealed the following:

3.4.5.1 Allocation and Expenditure

A summary of actual expenditure *vis-à-vis* original/supplementary provisions made under Grant No.16 during the year 2019-20 are given in **Table 3.10**.

Table 3.10: Details of Budget Provision and Actual Expenditure under Grant No. 16

(₹ in crore)

	Nature of expenditure	Original	Supplementary	Total	Expenditure	Savings(-)/ Excess (+)	Percentage of savings	Amount surrendered
Voted	Revenue	339.84	0.00	339.84	319.00	(-) 20.84	6.13	11.85
	Capital	211.43	0.00	211.43	96.49	(-) 114.94	54.36	63.51
Total Voted (A)		551.27	0.00	551.27	415.49	(-) 135.78	24.63	75.35
Charged	Revenue	0.25	0.00	0.25	0.02	(-) 0.23	92	0.22
	Capital	18.47	0.08	18.55	13.55	(-) 5.00	26.95	0.01
Total Charged (B)		18.72	0.08	18.80	13.57	(-) 5.23	27.82	0.23
Grand Total (A+B)		569.99	0.08	570.07	429.06	(-) 141.01	24.74	75.58

(Source: Appropriation Accounts for the year 2019-20)

It could be seen from **Table 3.10** that under Capital Section of Voted grants, as against the original provision of ₹ 211.43 crore, the expenditure incurred was only ₹ 96.49 crore, which was only 45.64 *per cent* of the total provision. As against the savings of ₹ 114.94 crore, the department surrendered only ₹ 63.51 crore (55.25 *per cent*). This was indicative of incorrect estimation of requirement. It was seen that the savings under the grant was mainly due to withdrawal of entire provision of ₹ 50 crore made for the scheme of Augmentation of water supply source and rehabilitation of system in urban areas of Puducherry which has been implemented by availing loan from Agency Francaise Development (AFD - a French Finance Company). It was

observed in audit that the amount was provided in the Budget in anticipation of receipt of loan from AFD. The provision made in anticipation could have been surrendered early instead of the last day of the financial year as the first instalment of ₹ 49.61 crore received from AFD during March 2019 was drawn and deposited in the Savings Bank account by the Public Works Department and no expenditure was incurred as of November 2020.

In reply, the department stated that as per the project plan, a Long Term Technical Assistance has to be arranged, for which the appointment of consultant was in progress as of October 2020. Hence, the work packages could not be taken up which has resulted in the savings. Thus, obtaining additional provision of funds even before the appointment of consultant and availability of unspent balances was indicative of defective budgeting process.

3.4.5.2 Unnecessary provision of funds through re-appropriation

The department sought for additional funds for various schemes/works at the Revised Estimate stage. It was noticed that in 13 cases, in addition to the original provision of ₹ 19.38 crore, amount of ₹ 6.73 crore was provided through re-appropriation (**Appendix 3.10**). However, the expenditure incurred under these heads was only ₹ 14.11 crore resulting in unwarranted provision and savings of the entire re-appropriation. This was indicative of improper estimation of requirement and the funds could have been utilised for other needy schemes.

3.5 Recommendations

- Union Territory Government needs to adopt good practices of Central Government, where Technical and Token Supplementary are encouraged, with Cash Supplementary being the last resort, after all options of utilising the savings has been exhausted.
- Government needs to formulate a realistic budget based on reliable assumptions of the needs of the Departments and their capacity to utilise the allocated resources.
- Incurring expenditure without budget provision should be strictly avoided.

- An appropriate control mechanism needs to be instituted by the Government to enforce proper implementation and monitoring of budget to ensure that savings are curtailed.
- Huge savings within the Grant/Appropriation are controlled and anticipated savings are to be identified and surrendered within the specified timeframe without waiting till the last day.
- Controlling Officers need to be made aware of their responsibility to explain specific reasons for variation in expenditure from the allocation to facilitate proper analysis of budget and preparation of meaningful Appropriation Accounts.

