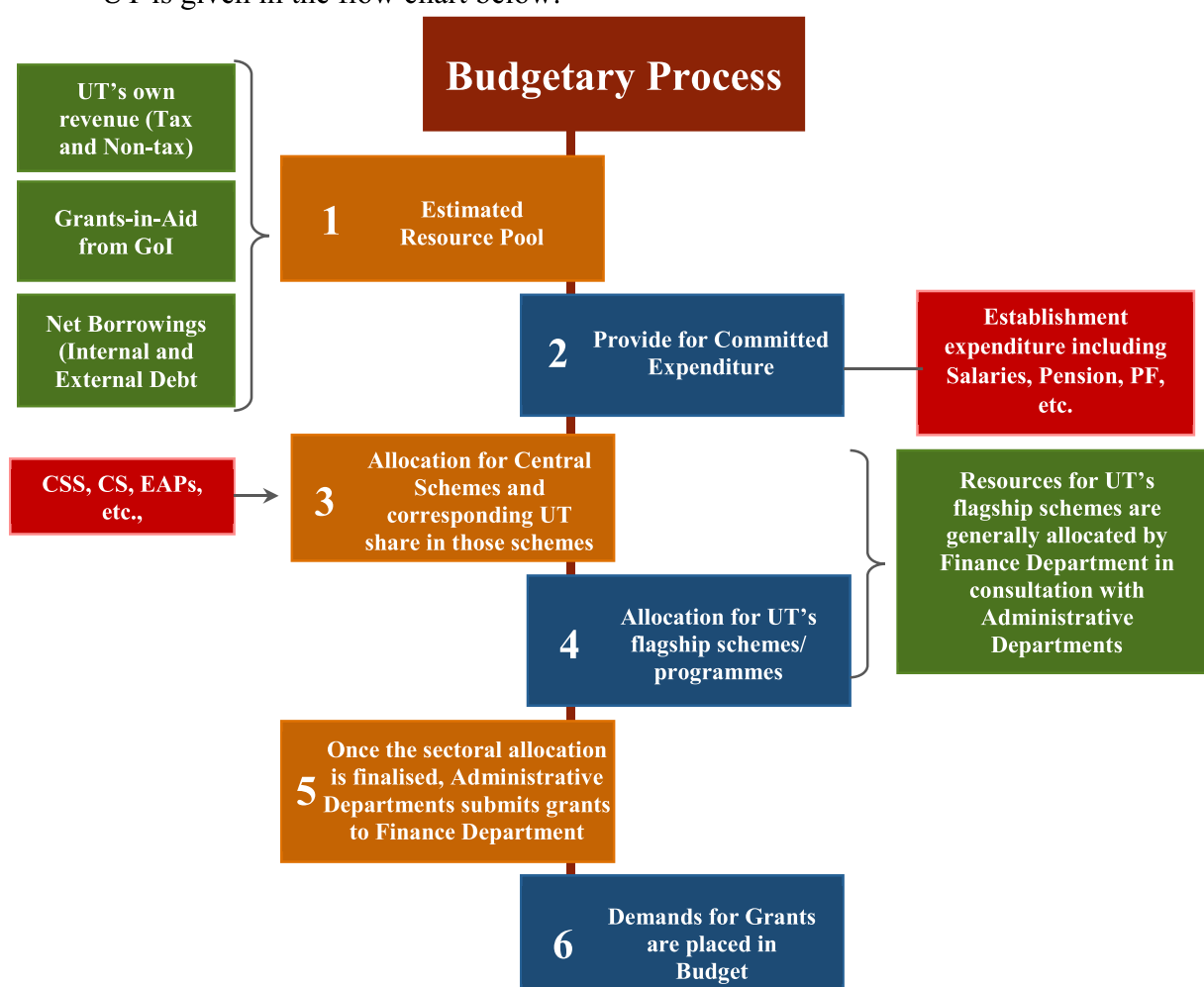


CHAPTER III: BUDGETARY MANAGEMENT

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No money shall be withdrawn from the Consolidated Fund of the UT except under appropriation made by law passed in accordance with the provisions of Section 29 of the UT Act, 1963.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 2020-21

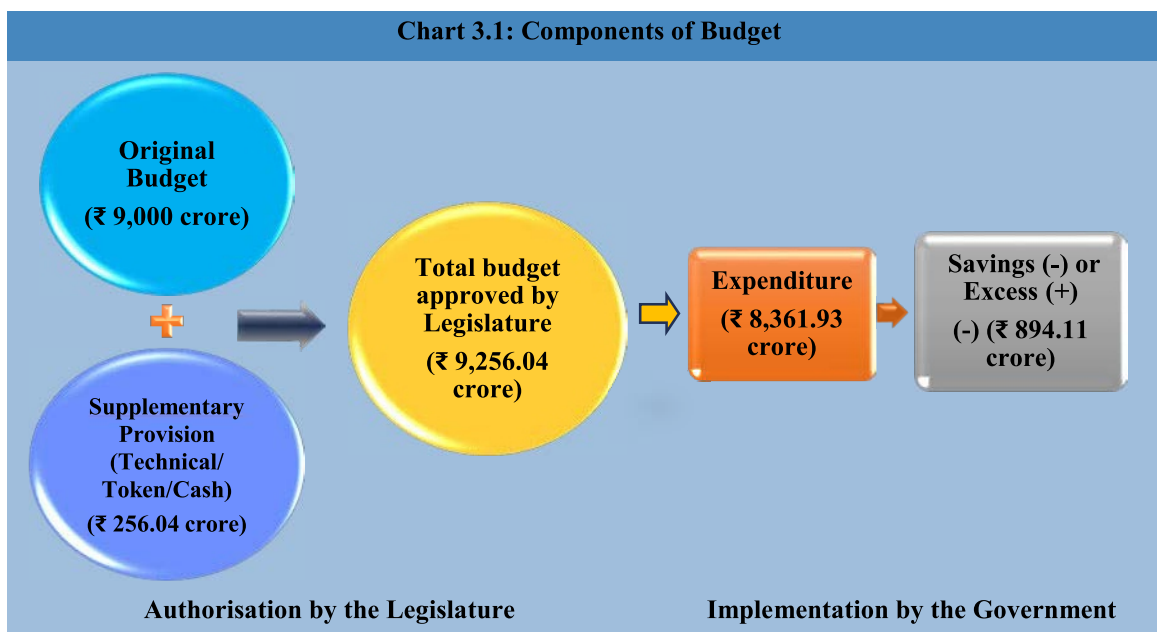
A summarised position of total budget provision, disbursements and saving/excess with bifurcation into voted/charged for the year 2020-21 are given in **Table 3.1**:

Table 3.1: Budget provision, disbursement and savings/excess during 2020-21

(₹ in crore)

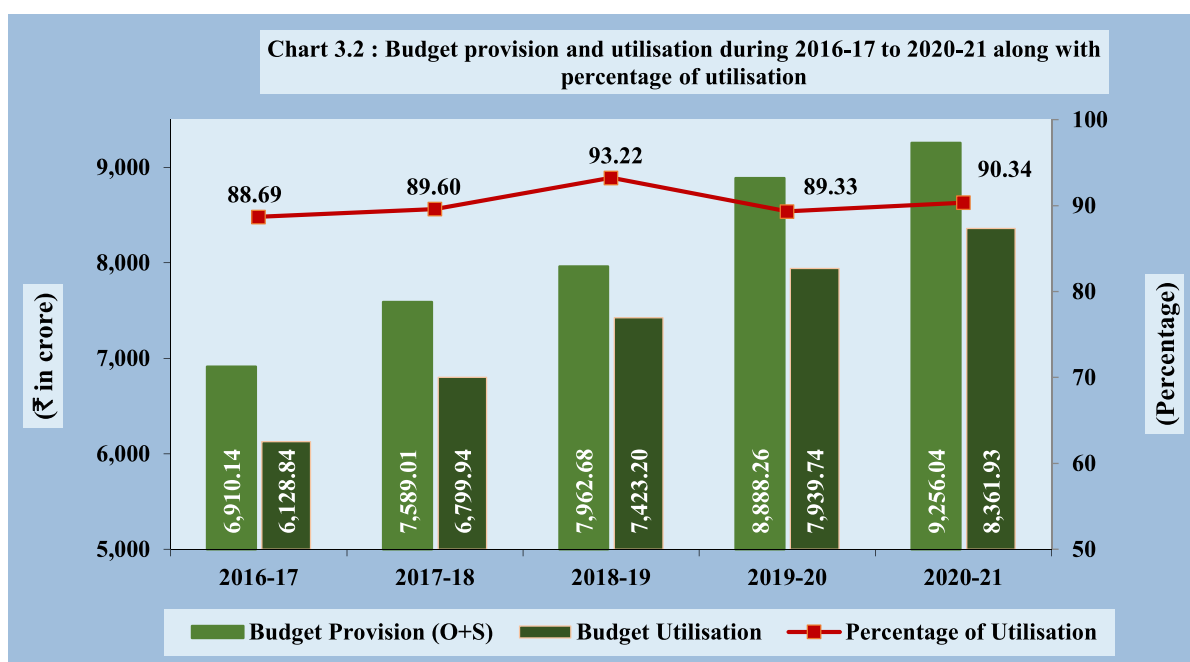
Total Budget provision		Disbursements		Savings (-)/Excess (+)	
Voted	Charged	Voted	Charged	Voted	Charged
7,460.29	1,795.75	6,629.78	1,732.15	(-) 830.51 (11.13 per cent)	(-) 63.60 (3.54 per cent)

The total amount approved by the UT Legislature including Original and Supplementary budgets, expenditure and savings during 2020-21 are depicted in the **Chart 3.1**:



The total provision authorised by the UT legislature including original and supplementary budget was ₹ 9,256.04 crore, out of which an expenditure of ₹ 8,361.93 crore was incurred resulting in savings of ₹ 894.11 crore (9.66 per cent of total provision). Out the savings of ₹ 894.11 crore, an amount of ₹ 256.04 crore (28.64 per cent) was surrendered on 31 March 2021. In view of the overall savings, the Supplementary provision of ₹ 180.10 crore proved wholly unnecessary in respect of 13 grants and ₹ 75.94 crore provided in four grants proved partially unnecessary

The following **Chart 3.2** shows the Budget provision and utilisation during 2016-17 to 2020-21.



(Source: Appropriation Accounts of respective years)

During the year 2020-21, as against the total budget provision of ₹ 9,256.04 crore, the expenditure incurred was ₹ 8,361.93 crore which was 90.34 *per cent* of the total provision. The decline in utilisation during 2020-21 was mainly due to savings in the following grants:

- Under Grant Number 15 - Retirement Benefits, as against the total provision of ₹ 1,176.60 crore under Revenue, expenditure of ₹ 1,063.13 crore has been incurred resulting in savings of ₹ 113.47 crore which was 9.64 *per cent* of the total provision.
- Under Grant Number 16 - Public Works, as against the total provision of ₹ 211.73 crore under Capital, expenditure of ₹ 62.78 crore has been incurred resulting in savings of ₹ 148.95 crore (70.35 *per cent* of total provision).
- Under Grant Number 17 - Education, as against the total provision of ₹ 962.29 crore under Revenue, expenditure of ₹ 874.37 crore has been incurred resulting in savings of ₹ 87.92 crore (9.14 *per cent* of total provision).
- Under Grant Number 18 - Medical, as against the total provision of ₹ 704.08 crore under Revenue, expenditure of ₹ 607.59 crore has been incurred resulting in savings of ₹ 96.49 crore which was 13.70 *per cent* of the total provision.
- Under Grant Number 21 - Social Welfare, as against the total provision of ₹ 711.34 crore under Revenue, expenditure of ₹ 634.98 crore has been incurred resulting in savings of ₹ 76.36 crore (10.73 *per cent* of total provision).
- Under Grant Number 33 - Public Debt, as against the total provision of ₹ 1,658.34 crore, expenditure of ₹ 1,603.95 crore alone has been incurred resulting in savings of ₹ 54.39 crore which was 3.28 *per cent* of the total provision.

The reasons for savings in respect of Grant No. 15 - Retirement Benefits was due to provision restricted to actual requirement and stagnation of dearness relief. The reasons for savings in respect of Grant No. 33 - Public Debt was mainly due to postponement of repayment due to COVID pandemic. The reasons for savings in respect of the remaining four grants have been discussed under paragraph 3.3.5.4.

3.1.2 Charged and voted disbursements

The details of provision for voted grants and charged appropriations, disbursements and savings during 2016-17 to 2020-21 are given in **Table 3.2**.

Table 3.2: Total disbursement into charged and voted during 2016-21

(₹ in crore)

Year	Provisions		Disbursements		Savings(-)/Excess(+)	
	Voted	Charged	Voted	Charged	Voted (per cent)	Charged (per cent)
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)
2020-21	7,460.29	1,795.75	6,629.78	1,732.15	(-) 830.51 (11.13)	(-) 63.60 (3.54)

(Source: Appropriation Accounts of respective years)

Though the total disbursement of voted grants increased by 24.65 *per cent* from ₹ 5,318.67 crore in 2016-17 to ₹ 6,629.78 crore in 2020-21, the increase in charged appropriations was 109.75 *per cent i.e.*, from ₹ 825.82 crore in 2016-17 to ₹ 1,732.15 crore in 2020-21. The increase in charged appropriations was mainly due to increase in public debt repayment from ₹ 224 crore in 2016-17 to ₹ 838 crore in 2020-21 and increase in interest payments from ₹ 578 crore in 2016-17 to ₹ 757 crore in 2020-21.

The total savings in voted grants, though decreased from 11.50 *per cent* in 2016-17 to 8.15 *per cent* in 2018-19, it had increased to 11.13 *per cent* in 2020-21. In respect of charged appropriations also, though the savings decreased from 8.25 *per cent* in 2016-17 to 0.41 *per cent* in 2018-19, it had increased to 3.54 *per cent* in 2020-21.

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 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 ₹ 4.21 crore was re-appropriated under 15 sub-heads without any original or supplementary budget provision and expenditure of ₹ 2.74 crore was incurred resulting in savings of ₹ 1.47 crore 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	Provision	Re-appropriation	Expenditure	Savings
1	16	2702 01 789 05 01	0.00	1.23	1.21	0.02
2	16	2702 01 789 06 01	0.00	0.95	0.95	0.00
3	16	3054 04 789 03 02	0.00	2.00	2.00	0.00
4	16	4711 03 800 06 03	0.00	0.50	0.50	0.00
5	18	2210 06 101 23 02	0.00	78.58	28.44	50.14
6	18	2210 06 101 23 04	0.00	44.14	24.13	20.01
7	18	2210 80 800 17 01	0.00	3.35	3.34	0.01
8	19	3452 80 104 08 01	0.00	244.00	169.10	74.90
9	21	2225 01 789 37 01	0.00	23.27	23.27	0.00
10	21	2225 02 796 02 01	0.00	1.63	0.57	1.06
11	22	2852 08 201 01 01	0.00	10.00	10.00	0.00

Sl. No.	Grant No.	Head of Account	Provision	Re-appropriation	Expenditure	Savings
12	27	2505 02 101 02 02	0.00	6.57	6.57	0.00
13	29	4801 05 800 48 02	0.00	0.94	0.94	0.00
14	32	2210 01 110 05 02	0.00	2.50	2.50	0.00
15	32	2403 00 102 02 01	0.00	1.00	0.34	0.66
Total				420.66	273.86	146.80

(Source: Detailed Appropriation Accounts 2020-21)

Government stated (January 2022) that as per Appendix 10 of General Financial Rules (GFR), 2017, in case of urgent requirement, excess expenditure was allowed. The reply was not acceptable since as per GFR, 2017, necessary funds should be made through next batch of Supplementary Grant which was not done in these cases.

3.3.2 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.

3.3.3 Unnecessary supplementary provision

During 2020-21, as against the Budget provision of ₹ 9,256.04 crore (Original: ₹ 9,000 crore and Supplementary Grant: ₹ 256.04 crore), an expenditure of ₹ 8,361.93 crore was incurred. Supplementary provision of ₹ 50 lakh or more aggregating ₹ 241.03 crore obtained in

10 grants/appropriations during the year 2020-21 proved excessive to the extent of ₹ 214.86 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	10 - District Administration	199.37	28.52	227.89	191.50	36.39
2	12 - Police	259.36	4.51	263.87	258.10	5.77
3	18 - Medical	684.51	19.57	704.08	607.59	96.49
4	26 - Fisheries	57.91	1.24	59.15	48.01	11.14
5	28 - Industries	50.79	7.36	58.15	54.87	3.28
6	29 - Electricity	1,695.02	51.77	1,746.79	1,718.07	28.72
Total (A)		2,946.96	112.97	3,059.93	2,878.14	181.79
(B) Revenue - Charged						
7	33 - Public Debt	735.01	33.34	768.35	766.15	2.20
Total (B)		735.01	33.34	768.35	766.15	2.20
(C) Capital - Voted						
8	10 - District Administration	0.00	1.16	1.16	0.00	1.16
9	12 - Police	6.97	3.61	10.58	4.00	6.58
10	29 - Electricity	41.60	4.88	46.48	28.81	17.67
Total (C)		48.57	9.65	58.22	32.81	25.41
(D) Capital - Charged						
11	16 - Public Works	10.08	70.11	80.19	77.34	2.85
12	17 - Education	25.08	14.00	39.08	38.48	0.60
13	32 - Building Programmes	2.06	0.96	3.02	1.01	2.01
Total (D)		37.22	85.07	122.29	116.83	5.46
Grand Total		3,767.76	241.03	4,008.79	3,793.93	214.86

(Source: Appropriation Accounts of 2020-21)

In respect of five cases under two grants, in addition to original provision of ₹ 32.43 crore, an amount of ₹ 7.60 crore was provided in the supplementary grant. However, the expenditure incurred was ₹ 25.90 crore only. Thus, the supplementary grant provided proved wholly unnecessary in view of the savings

in the original provision of ₹ 6.53 crore as detailed in **Table 3.5**. The final savings in respect of these five cases was ₹ 14.13 crore.

Table 3.5: Details of sub-heads where supplementary provision of ₹ 50 lakh or more proved excessive/unnecessary

(₹ in lakh)

Sl. No.	Grant No.	Head of Account	Original	Supplementary	Total provision	Expenditure	Savings	Savings in Original
1	10	2216 80 800 19 01	2,059.55	140.00	2,199.55	1,758.86	440.69	300.69
2	10	2217 80 001 02 01	128.88	200.00	328.88	115.40	213.48	13.48
3	10	2217 80 800 10 01	123.20	60.00	183.20	61.60	121.60	61.60
4	10	4215 01 102 01 01	0.00	71.94	71.94	0.00	71.94	0.00
5	29	4801 05 799 01 01	931.60	287.90	1,219.50	654.20	565.30	277.40
Total			3,243.23	759.84	4,003.07	2,590.06	1,413.01	653.17

(Source: Detailed Appropriation Accounts 2020-21)

It was also seen that in respect of 18 cases under nine grants, in addition to the original provision of ₹ 175.43 crore, a sum of ₹ 145.47 crore was also provided through supplementary grant. However, the total expenditure was only ₹ 279.09 crore. Thus, the provision of ₹ 41.81 crore made under Supplementary Grant proved partially unnecessary (**Appendix 3.2**).

3.3.4 Unnecessary/excessive/injudicious re-appropriation

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.

During 2020-21, re-appropriation order was issued on 31 March 2021 for ₹ 364.43 crore under 1,445 sub-heads which diluted 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 2020-21, the re-appropriations proved unnecessary or excessive in 203 sub-heads. It was also seen that in 77 sub-heads, unnecessary provision of more than ₹ 10 lakh were made by re-appropriation to the tune of ₹ 116.92 crore wherein the expenditure incurred was ₹ 1,594.93 crore under these heads which was within the total provision of ₹ 1,696.53 crore as indicated in **Appendix 3.3**. Further, out of these 77 sub-heads, no expenditure was incurred under 10 sub-heads wherein unnecessary provision of ₹ 17.72 crore was made by re-appropriation.

3.3.5 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 2017 contemplated that the savings as well as provisions that are not 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.

3.3.5.1 *Anticipated savings not surrendered*

Out of total savings of ₹ 894.11 crore, an amount of ₹ 256.04 crore was surrendered on 31 March 2021. It was noticed that in respect of 24 grants/appropriations, out of the total savings of ₹ 882 crore (savings of ₹ one crore and above), ₹ 633.73 crore (71.85 *per cent* of savings) was not surrendered. Further, in respect of nine grants/appropriations with a savings of ₹ 222.18 crore, no amount was surrendered. The details are given in **Appendix 3.4 (a)** and **Appendix 3.4 (b)** respectively.

Government agreed (January 2022) to develop a robust mechanism to review the expenditure pattern every month and to assess the anticipated savings for timely surrender of funds in future.

3.3.5.2 *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 41 sub-heads. Out of the total provision of ₹ 113.22 crore made under these sub-heads, ₹ 97.76 crore (86.34 *per cent*) was surrendered (**Appendix 3.5**). 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.

3.3.5.3 *Grants having huge savings*

During 2020-21, out of total 33 grants/appropriations, there was savings of ₹ 812.14 crore (90.83 *per cent* of total savings of ₹ 894.11 crore) in 14 grants/appropriations exceeding ₹ 10 crore in each case (above ₹ 50 crore in six grants). The details are indicated in **Table 3.6**.

Table 3.6: List of grants with savings of ₹ 10 crore or more

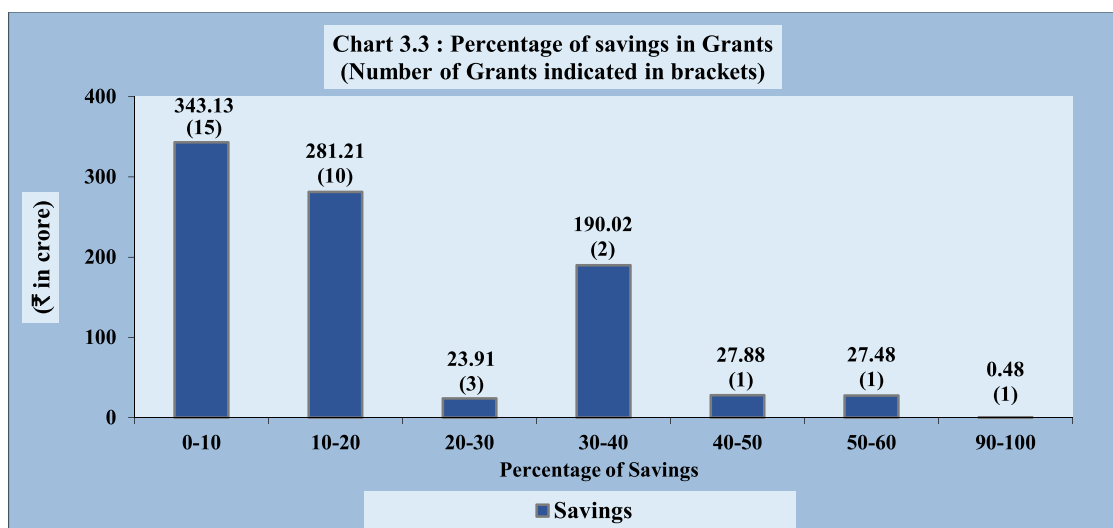
(₹ in crore)									
Sl. No.	Grant No.	Description	Original	Supplementary	Total	Expenditure	Savings	Amount surrendered	Percentage
(A) Revenue - Voted									
1	06	Revenue and Food	316.84	0.00	316.84	302.56	14.28	2.66	4.51
2	10	District Administration	199.37	28.52	227.89	191.50	36.39	0.00	15.97

Sl. No.	Grant No.	Description	Original	Supplementary	Total	Expenditure	Savings	Amount surrendered	Percentage
3	15	Retirement Benefits	1,176.60	0.00	1,176.60	1,063.13	113.47	26.32	9.64
4	16	Public Works	296.64	0.00	296.64	269.69	26.95	20.39	9.09
5	17	Education	962.29	0.00	962.29	874.37	87.92	7.99	9.14
6	18	Medical	684.51	19.57	704.08	607.59	96.49	0.00	13.70
7	19	Information and Publicity	29.67	0.00	29.67	19.05	10.62	4.46	35.79
8	21	Social Welfare	711.34	0.00	711.34	634.98	76.36	9.91	10.73
9	24	Agriculture	126.24	0.00	126.24	104.16	22.08	2.24	17.49
10	26	Fisheries	57.91	1.24	59.15	48.00	11.15	0.00	18.83
11	27	Community Development	54.14	0.00	54.14	26.66	27.48	5.79	50.76
12	29	Electricity	1,695.02	51.77	1,746.79	1,718.07	28.72	0.00	1.64
Total (A)			6,310.57	101.10	6,411.67	5,859.76	551.91	79.76	
(B) Capital - Voted									
13	16	Public Works	211.73	0.00	211.73	62.78	148.95	89.49	70.35
14	18	Medical	23.27	0.00	23.27	2.65	20.62	4.88	88.61
15	29	Electricity	41.60	4.88	46.48	28.81	17.67	0.00	38.02
16	32	Building Programmes	50.16	0.00	50.16	29.36	20.80	4.55	41.47
Total (B)			326.76	4.88	331.64	123.60	208.04	98.92	
(C) Capital - Charged									
17	33	Public Debt	889.99	0.00	889.99	837.80	52.19	49.34	5.86
Total (C)			889.99	0.00	889.99	837.80	52.19	49.34	
Grand Total			7,527.32	105.98	7,633.30	6,821.16	812.14	228.02	10.64

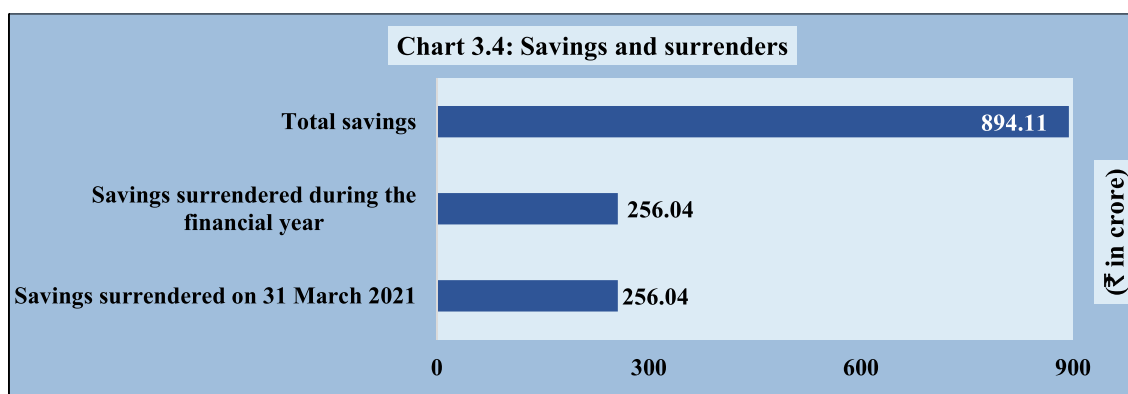
(Source: Appropriation Accounts 2020-21)

It was also noticed that in 145 cases (sub-heads), savings exceeded ₹ 50 lakh in each case and by more than 50 *per cent* of the total provision. Out of the total provision of ₹ 510.25 crore in these sub-heads, savings amounted to ₹ 421.01 crore (82.51 *per cent*) as detailed in **Appendix 3.6**. Further, out of 145 cases, in respect of 39 cases no expenditure was incurred against the provision of ₹ 145.58 crore. 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 each group.



The following **Chart 3.4** shows the savings and surrenders during 2020-21.



Out of the overall savings of ₹ 894.11 crore, only ₹ 256.04 crore (28.64 per cent) alone was surrendered and that too was made on 31 March 2021 giving no scope for utilisation of the amount surrendered.

3.3.5.4 Persistent savings

Out of 33 grants, savings of more than ₹ 50 lakh was noticed persistently under 19 grants during the last five years. Details of the savings are indicated in **Table 3.7**.

Table 3.7: List of grants having persistent savings of more than ₹ 50 lakh during 2016-21

(₹ in crore)

Sl. No.	Grant Number and description		Amount of savings				
			2016-17	2017-18	2018-19	2019-20	2020-21
(A) Revenue - Voted							
1	6	Revenue and Food	83.01	26.64	26.16	5.40	14.28
2	9	Secretariat	24.60	13.32	8.09	23.28	2.99
3	10	District Administration	52.05	11.67	39.47	111.71	36.39

Sl. No.	Grant Number and description		Amount of savings				
			2016-17	2017-18	2018-19	2019-20	2020-21
4	12	Police	13.77	10.25	5.81	9.11	5.77
5	16	Public Works	14.23	9.50	18.14	20.84	26.95
6	17	Education	90.90	93.85	29.79	92.54	87.92
7	18	Medical	23.84	11.39	15.77	32.08	96.49
8	19	Information and Publicity	9.41	8.60	5.17	11.13	10.62
9	20	Labour and Employment	1.05	3.55	6.24	4.72	8.88
10	21	Social Welfare	29.30	79.07	32.99	47.12	76.36
11	22	Co-operative	11.41	15.80	3.92	4.85	5.16
12	24	Agriculture	22.93	29.27	13.56	13.02	22.08
13	25	Animal Husbandry	5.91	3.81	1.90	6.68	3.83
14	26	Fisheries	1.84	3.64	7.68	10.67	11.14
15	27	Community Development	17.96	12.32	28.93	27.17	27.48
16	28	Industries	6.97	12.74	5.37	10.81	3.28
17	29	Electricity	11.07	0.80	33.20	9.46	28.72
18	32	Building Programmes	7.02	2.84	1.52	5.67	5.08
Total (A)			427.27	349.06	283.71	446.26	473.42
(B) Capital - Voted							
1	16	Public Works	168.32	109.63	44.15	114.93	148.95
2	29	Electricity	4.35	9.32	21.75	21.89	17.67
3	30	Ports and Pilotage	0.83	3.09	18.03	1.22	2.44
4	32	Building Programmes	59.56	39.10	24.95	35.88	20.80
Total (B)			233.06	161.14	108.88	173.92	189.86
Grand Total			660.33	510.20	392.59	620.18	663.28

(Source: Appropriation Accounts of the respective years)

Grant No. 16 - Public Works - The persistent savings under Capital head ranged between ₹ 44.15 crore and ₹ 168.32 crore during 2016-21. During 2020-21, the savings of ₹ 148.95 crore was mainly due to withdrawal of the entire provision of ₹ 60 crore made for Augmentation of water supply source and rehabilitation system in urban areas of Puducherry (Agency Francaise Development). Out of the savings of ₹ 148.95 crore, only ₹ 89.49 crore (60.08 per cent) was surrendered.

Grant No. 17 - Education - The persistent savings under Revenue head ranged between ₹ 29.79 crore and ₹ 93.85 crore during 2016-21. The reasons for savings of ₹ 87.92 crore during 2020-21 was mainly due to closure of schools due to COVID pandemic. Out of the savings of ₹ 87.92 crore, only ₹ 7.99 crore (9.09 per cent) was surrendered.

Grant No. 18 - Medical - The persistent savings under Revenue head ranged between ₹ 11.39 crore and ₹ 96.49 crore during 2016-21. During 2020-21, the savings of ₹ 96.49 crore was mainly due to savings of almost the entire provision of ₹ 15.28 crore under financial assistance to the poor in case of serious illness and savings of ₹ 19.94 crore under Prevention and Control of COVID-19 Pandemic. Out of the savings of ₹ 96.49 crore, no amount was surrendered.

Grant No. 21 - Social Welfare - The persistent savings under Revenue head ranged between ₹ 29.30 crore and ₹ 79.07 crore during 2016-21. During 2020-21, the savings of ₹ 76.36 crore was mainly due to savings of ₹ 20.06 crore under the scheme "Award of various scholarship, stipend and incentive to SC students" on account of closure of all educational institutions due to COVID pandemic. The savings under seven Centrally Sponsored Schemes was due to restriction of expenditure to the extent of CSS funds released by Government of India. Out of the savings of ₹ 76.36 crore, only ₹ 9.91 crore (12.98 per cent) was surrendered.

Government stated (January 2022) that persistent savings was a very important issue and immediate action would be taken to reduce the savings.

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 2020-21 (Voted Grants/Charged Appropriations) is given in **Table 3.8**.

Table 3.8: 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 2021	Percentage of savings surrendered during March 2021
Voted	I Revenue	6,970.78	125.01	7,095.79	6,491.31	604.48	99.12	16.40
	II Capital	348.99	10.01	359.00	133.44	225.56	103.91	46.07
	III Loans and Advances	5.50	0.00	5.50	5.03	0.47	0.46	97.87
Total - Voted		7,325.27	135.02	7,460.29	6,629.78	830.51	203.49	24.50
Charged	IV Revenue	744.22	33.78	778.00	773.73	4.27	1.72	40.28
	V Capital	40.52	87.24	127.76	120.63	7.13	1.49	20.90
	VI Public Debt-Repayment	889.99	0.00	889.99	837.79	52.20	49.34	94.53
Total - Charged		1,674.73	121.02	1,795.75	1,732.15	63.60	52.55	82.63
Grand total		9,000.00	256.04	9,256.04	8,361.93	894.11	256.04	28.64

(Source: Appropriation Accounts 2020-21)

- The overall savings of ₹ 894.11 crore worked out to 9.66 *per cent* of total provision including supplementary provision of ₹ 256.04 crore made against the respective grants in 2020-21.
- Out of the savings of ₹ 894.11 crore, an amount of ₹ 256.04 crore was surrendered on the last day of financial year.
- Savings of ₹ 608.75 in 31 grants and 11 appropriations under Revenue section, ₹ 232.70 crore in 18 grants and eight appropriations under Capital section and ₹ 52.66 crore under Loan section were occurred.
- As against the original provision of ₹ 9,256.04 crore, expenditure of ₹ 8,361.93 crore was incurred. In view of overall savings of ₹ 894.11 crore, the supplementary provision of ₹ 180.10 crore proved wholly unnecessary in respect of 13 grants and ₹ 75.94 crore provided in four grants proved partially unnecessary.

Trends of expenditure during the past five years with reference to Original Budget and Revised Estimates are given in **Table 3.9**.

¹ Excludes recoveries shown as reduction of expenditure.

Table 3.9: Original Budget, Revised Estimate and Actual Expenditure during 2016-21**(₹ in crore)**

	2016-17	2017-18	2018-19	2019-20	2020-21
Original provision	6,665.01	6,945.00	7,530.00	8,425.00	9,000.00
Supplementary provision	245.13	644.01	432.68	463.26	256.04
Total Provision	6,910.14	7,589.01	7,962.68	8,888.26	9,256.04
Actual expenditure	6,128.84	6,799.94	7,423.20	7,939.74	8,361.93
Savings (-)/excess (+)	(-) 781.30	(-) 789.07	(-) 539.48	(-) 948.52	(-) 894.11
Percentage of savings	11.31	10.40	6.78	10.67	9.66

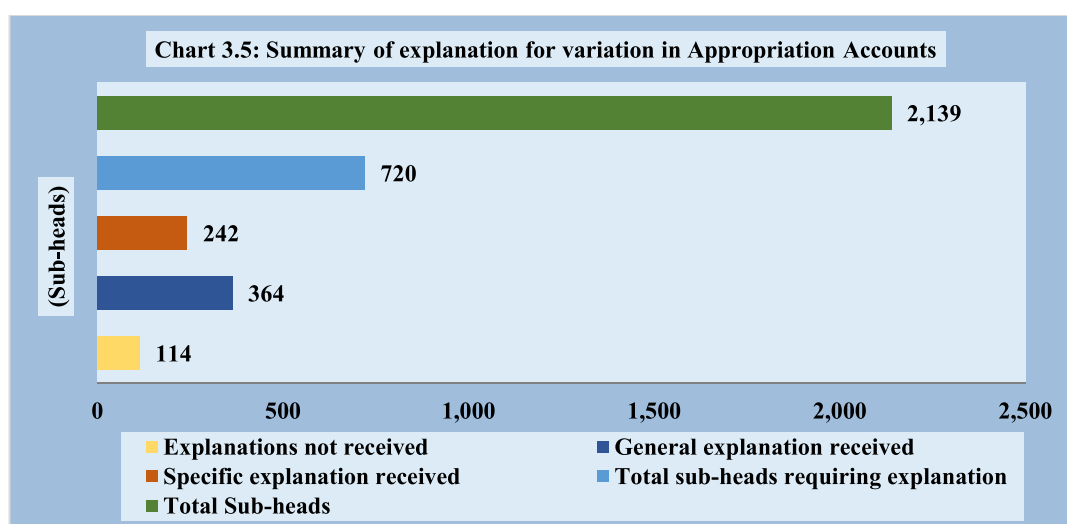
(Source: Appropriation Accounts of respective years)

It could be seen from **Table 3.9** 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 though declined from 11.31 *per cent* in 2016-17 to 6.78 *per cent* in 2018-19, it had increased to 9.66 *per cent* in 2020-21.

3.4.2 Reasons for savings/excess

Rule 57 (7) 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 720 sub-heads requiring explanation, the Departments have not furnished specific explanations for 478 sub-heads. **Table 3.10** details the status of non-furnishing of explanations in respect of six grants.

Table 3.10: Details of non-furnishing of explanation

Sl. No.	Grant No and Name	Total Sub-heads requiring explanation	Specific explanation not furnished	Percentage
1	6 - Food and Revenue	25	18	72.00
2	16 - Public Works	109	84	77.06
3	18 - Medical	77	59	76.62
4	21 - Social Welfare	79	41	51.90
5	24 - Agriculture	42	37	88.10
6	32 - Building Programmes	69	56	81.16

(Source : Appropriation Accounts 2020-21)

Government stated (January 2022) that specific explanations would be given for all variations in future.

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 2020-21 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 3.11**.

Table 3.11: Details of schemes announced in the Budget Speech 2020-21

Sl. No	Name of the Department	Scheme name	Objective of the scheme	Reasons
1	Agriculture	“Nammazhvar Agricultural Rejuvenation Mission”	(i) A revolving fund of ₹ three crore will be created to grant loan to farmers.	No proposal was made in the Budget Provision for 2020-21 at the time of preparation of BE 2020-21 and due to restrictions in the allocation to this Department in the RE 2020-21.
			(ii) A new Agricultural Sciences University will be established.	No proposal was made for inclusion of this component in the Budget Estimates for the year 2020-21.
2	Fisheries and Fishermen Welfare	“Sinthanai Sirpi Singaravelar Fisheries Rejuvenation Scheme”	(i) Grant of financial assistance to fishermen to undertake repair works for boats during lean season to the extent of ₹ 5,000.	Proposal for inclusion in the Budget Estimate for the financial year 2020-21 was not sent to the Finance Department due to overall budgetary constraints.
			(ii) Distribution of 2,650 Ice-boxes for fish vendors.	Proposal for inclusion in the Budget Estimate for the financial year 2020-21

Sl. No	Name of the Department	Scheme name	Objective of the scheme	Reasons
				was not sent to the Finance Department due to overall budgetary constraints.
3	Science, Technology and Environment (DSTE)	“Pondy Necklace” Tourism Project	The World Bank assisted - Enhancing Coastal and Ocean Resource Efficiency (ENCORE) Project at an estimated cost of ₹ 111.90 crores, (earlier known as Integrated Coastal Zone Management Project).	The DSTE, Puducherry had submitted the Project proposal to Ministry of Environment, Forests and Climate Change in May 2019, but the project could not be started as the final nod of Cabinet Committee of Economic Affairs is awaited.
4	School Education	Kalaigiar Karunanidhi Breakfast Scheme	The Government has proposed “Kalaigiar Karunanidhi Breakfast Scheme”, under which Idly, Pongal, Kitchadi will be provided to students as breakfast.	The proposal was not sent to the Finance Department for inclusion in the Budget Estimate for the year 2020-21 due to administrative reasons.

3.4.4 Rush of expenditure

According to Rule 62 (3) of the GFR, 2017, rush of expenditure particularly in the closing months of the financial year should be avoided. Contrary to this, in respect of 81 sub-heads listed in **Appendix 3.7**, expenditure exceeding ₹ 50 lakh and by more than 50 *per cent* of the total expenditure for the year was incurred in March 2021. It was further observed that in respect of the following grants, as detailed in **Table 3.12**, huge amounts were spent in the last quarter of 2020-21.

Table 3.12: Utilisation of funds during the last quarter of 2020-21

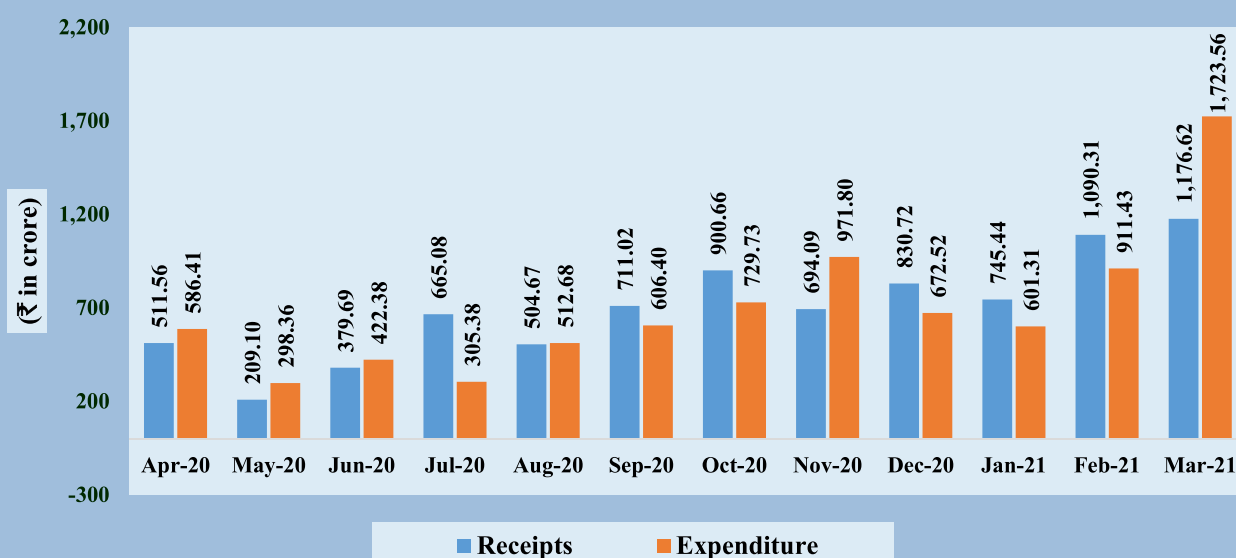
(₹ in crore)

Sl. No	Name of the Department	Total Expenditure	Expenditure incurred in the last quarter	Utilisation of funds in the last quarter (in <i>per cent</i>)
1	05 - Elections	17.30	14.45	83.53
2	06 - Revenue and Food	302.34	139.38	46.10
3	10 - District Administration	190.93	93.67	49.06
4	29 - Electricity	1,732.39	1,009.15	58.25

It could be seen from **Table 3.12** that uniform flow of expenditure, which was a primary requirement of budgetary control mechanism and sound financial management, was not maintained.

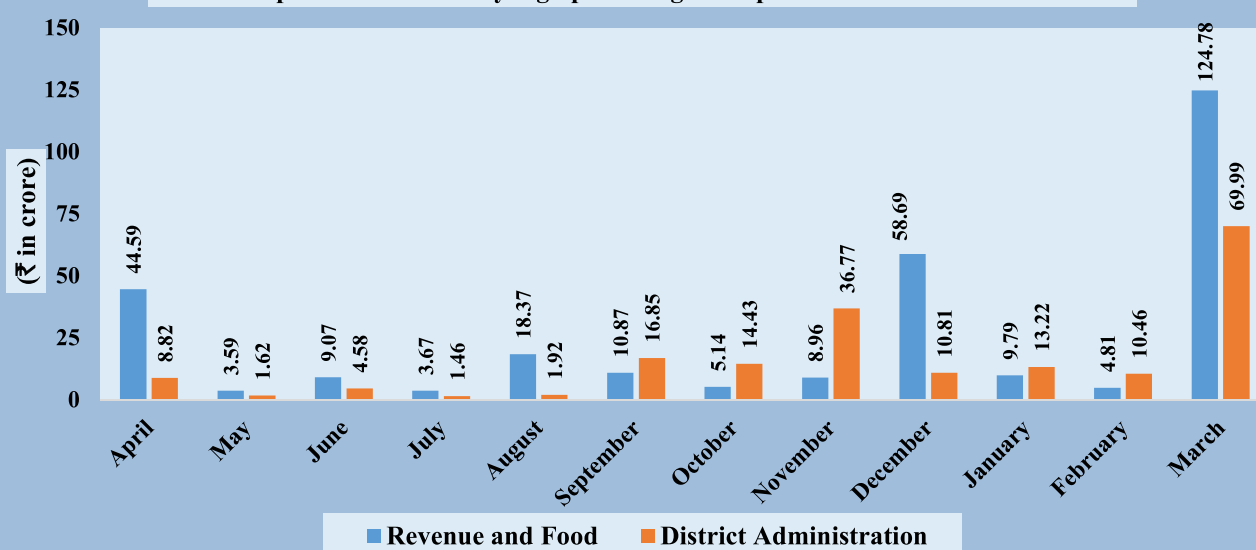
The monthly receipts and expenditure of the UT Government during 2020-21 is given in **Chart 3.6**.

Chart 3.6: Monthly receipts and expenditure



The month-wise expenditure during 2020-21 under Grant No. 06 - Revenue and Food and Grant No. 10 - District Administration where rush of expenditure was noticed are depicted in **Chart 3.7**.

Chart 3.7: Month-wise expenditure of Revenue and Food and District Administration Departments with very high percentage of expenditure in March 2021



It could be seen from **Chart 3.7** that in Grant No. 06 - Revenue and Food and Grant No 10 - District Administration, a total expenditure of ₹ 302.33 crore and ₹ 190.93 crore respectively was incurred during 2020-21. In these two grants, the expenditure incurred during the month of March 2021 alone was ₹ 124.78 crore and ₹ 69.99 crore which was 41.27 per cent and 36.67 per cent respectively. The rush of expenditure in these two grants at the end of the financial year was regarded as breach of financial propriety.

3.4.5 Review of selected grants

A review of the budgetary procedure and control over expenditure followed in Grant No. 18 - Medical 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.18 - Medical during the year 2020-21 are given in **Table 3.13**.

Table 3.13: Details of Budget Provision and Actual Expenditure under Grant No. 18

(₹ in crore)

	Nature of expenditure	Original	Supplementary	Total	Expenditure	Savings(-)/ Excess (+)	Percentage of savings	Amount surrendered
Voted	I Revenue	684.51	19.57	704.08	607.59	(-) 96.49	13.70	0.00
	II Capital	23.27	0.00	23.27	2.65	(-) 20.62	88.61	4.88
Total Voted (A)		707.78	19.57	727.35	610.24	(-) 117.11	16.10	4.88
Charged	IV Revenue	0.20	0.00	0.20	0.04	(-) 0.16	80.00	0.16
	V Capital	1.50	0.00	1.50	0.00	(-) 1.50	100.00	1.50
Total Charged (B)		1.70	0.00	1.70	0.04	(-) 1.66	97.65	1.66
Grand Total (A+B)		709.48	19.57	729.05	610.28	(-) 118.77	16.29	6.54

(Source: Appropriation Accounts for the year 2020-21)

It could be seen from **Table 3.13** that under Revenue Section of Voted grants, as against the total provision of ₹ 704.08 crore, the expenditure incurred was ₹ 607.59 crore, which was 86.30 *per cent* of the total provision. As against the saving of ₹ 96.49 crore, the department did not surrender any amount. In view of the final saving of ₹ 96.49 crore, the Supplementary provision of ₹ 19.57 crore proved wholly unnecessary. Similarly, under Capital Section of Voted grants, as against the original provision of ₹ 23.27 crore, the expenditure incurred was only ₹ 2.65 crore, which was only 11.21 *per cent* of the total provision and the amount surrendered was ₹ 4.88 crore (23.67 *per cent*). Huge savings under the Grant was indicative of incorrect estimation of requirement.

3.4.5.2 Unnecessary provision of Supplementary Grant

In four sub-heads, supplementary provision of ₹ 19.57 crore was provided. In addition, an amount of ₹ 25.78 crore was provided through re-appropriation. As against the total provision of ₹ 45.35 crore, expenditure of ₹ 20.96 crore alone has been incurred resulting in final savings of ₹ 24.39 crore. In this connection,

it was noticed that as against ₹ 28.77 crore² provided for Prevention and Control of COVID-19 Pandemic, ₹ 8.83 crore alone was spent leading to final savings of ₹ 19.94 crore. When pointed out, the Department stated that the amount could not be utilised as the proposal for purchase of Gloves, Rapid Antigen Test kits and Universal Filter Pipette Tips for ₹ 6.15 crore was not sanctioned by Government due to administrative reasons.

3.4.5.3 *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 17 cases, in addition to the original provision of ₹ 267.54 crore, an amount of ₹ 24.24 crore was provided through re-appropriation (**Appendix 3.8**). However, the expenditure incurred under these heads was only ₹ 252.88 crore resulting in unwarranted provision and saving 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

- The 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 should be 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.

² Supplementary Grant: ₹ 16 crore; Re-appropriation: ₹ 12.77 crore.