



Allocations, Audit & Accounts

- Department of Finance, Audit & Principal Accounts Office

Allocations, Audit & Accounts

Financial prudence is a highly desirable quality in governing a state or country. Any government should be vigilant about allocating budgets to various departments and schemes implemented by them. There should be judicious allocation of existing resources and efficient and well-organised schemes and projects. The Department of Finance has been entrusted with allocation of budgets after detailed scrutiny and the Department of Audit does the auditing of various departmental budgets and expenditure. The Principal Accounts Office manages Delhi Government's accounts and its employees. Here we attempt to study the functioning of these departments and suggest measures for better processes and approaches.

Department of Finance

All departments, boards, agencies and corporations in Delhi Government run schemes, projects and programmes for the benefit of all sections of society. For this purpose, budgets have to be estimated and allocated to various departments of the state government. The Department of Finance is entrusted with responsibility for budget allocation to various departments after scrutinising their budget proposals in a financial year. The role and functions of the Department are laid down under Section 44 of the Government of NCT of Delhi Act, 1991 by promulgating the Government of NCT of Delhi (Allocation of Business) Rules, 1993. The main objectives of the Department are to make budgets for all the Departments of Delhi Government in accordance with the proposals sent to them. It also works on instruments of revenue generation so that there are enough resources to run the Government.

Organisational Structure and Responsibilities

The Department has four sub-departments, namely, Expenditure, Accounts, Budgets and Taxes & Establishments. The Delhi Government has approximately 90 departments working under it. The Finance Department allocates funds for all the expenditure, including non-plan expenses. All Delhi Government departments are distributed amongst these sub-departments of Finance Department who examine, justify as well as check the proposals sent by them. The main functions of the Finance Department are:

- Fiscal policy and financial management
- Preparation of budget and annual statement of accounts
- Re-appropriation of funds and appropriation of accounts
- Follow-up on the report of the Comptroller and Auditor General of India
- Internal Audit of finance and accounts of government departments and funded organisations
- Expenditure sanction and its review, allotment of funds for conveyance and HRA
- Public debt management, banking and institutional finance
- Trade, services and international trade
- Taxation policy like excise, entertainment, land, sale and purchase of goods, and stamp duty
- Money-lending and national small savings
- Residuary work of lotteries, compulsory deposit schemes, chit funds and non-banking financial companies
- Foreign exchange, Central Finance Commission and Central Pay Commission

The key functions of the sub-departments of the Finance Department are explained below:

- **Budgets:** It consolidates and authorises the budgets. It deals with Demand for Grants and reviews the proposals of the departments under them.
- **Expenditure:** It sanctions the expenditure of the Department in

the proposals made by them and ensures proper implementation of the sanctions made. It also reviews the proposals of departments under them

- **Taxes & Establishments:** It monitors the revenues and process of generating revenues as well as deals with budget proposals. It makes a rough estimate of the revenues to be collected and on that basis decides how much expenditure should be made.
- **Accounts:** This branch is responsible for management of cadre officers like transfers, positions and promotions. Cadre officers include Joint Accounts Officers, Assistant Accounts Officers, Deputy Controllers and Controllers. It also advises various departments on the state of their budget proposals.

The Principal Secretary (Finance) is the official head of the Department supported by an Additional Secretary, four Deputy Secretaries heading sub-departments and 20 subordinate staff members in each sub-department. There are 90 employees working in the Department.

Functioning of the Department

Budget proposals made by departments are sent to the Finance Department for approval. They are examined and put up for consideration and "Noted". After that they are handed over to the dealing assistants, who take notes and see to the rule positioning in the proposals. Proposals are analysed and then approved. The file then does numerous rounds of Superintendents, the Under Secretary, the Deputy Secretary and the Additional Secretary for suggestions and approvals. Finally, it goes to the Finance Secretary, who sanctions it.

Once the Budget is approved, it goes to the Finance Minister. The Cabinet of Delhi Government reviews it and sends it to the Lieutenant Governor of Delhi, after which it is debated in the Legislative Assembly. Once the budget is debated, it is sanctioned with the assent of the Lieutenant Governor.

Financial Profile

The approved outlay for the Tenth Five Year Plan of the Department is Rs 40 crore. Table 1 shows the approved outlay and expenditure over the years.

Table 1: Outlays and Expenditure (Rs in lac)

Year	Approved Outlay	Revised Outlay	Expenditure till Feb that Year	% w.r.t BE
2002-03	810	1,200	761	94
2003-04	1,000	990	945	94.5
2004-05	1,000	1,000	726	73
2005-06	1,000			

Source: Government of NCT Delhi. 2002, 2003, 2004, 2005. Annual Plans: Plan Outlay and Expenditure. Department of Planning

According to the Demand for Grants, there has been underutilisation of the allocated amount. For instance, only Rs 70 lac was spent from the allocated budget of Rs 100 lac in 2003-04.

Directorate of Audit

The internal audit organisation was set up in Delhi in July 1977. It continued to work as one of the branches of the Principal Accounts Organisation till May 1981 and assumed an independent identity in June 1981 as the Directorate of Audit. The role of audit is to detect procedural or substantial lapses that lead to losses, infructuous expenditure, non-recovery of government dues, ineffective implementation of plan schemes and to advice government departments on rectification thereof. Internal Audit verifies the accuracy and completeness of the accounts, ensures that all revenue receipts collected are brought to account under proper heads, expenditure and disbursement is duly authorised, vouched and correctly classified and that the final accounts represent a complete and true statement of financial transaction it purports to exhibit. The Directorate of Audit consists of the following three wings:

1. Internal Audit
2. Examiner, Local Fund Accounts
3. Finance Accounts

Functions and Responsibilities

The main function of the Directorate is to check the initial accounts of various government departments, institutions receiving grants-in-aid

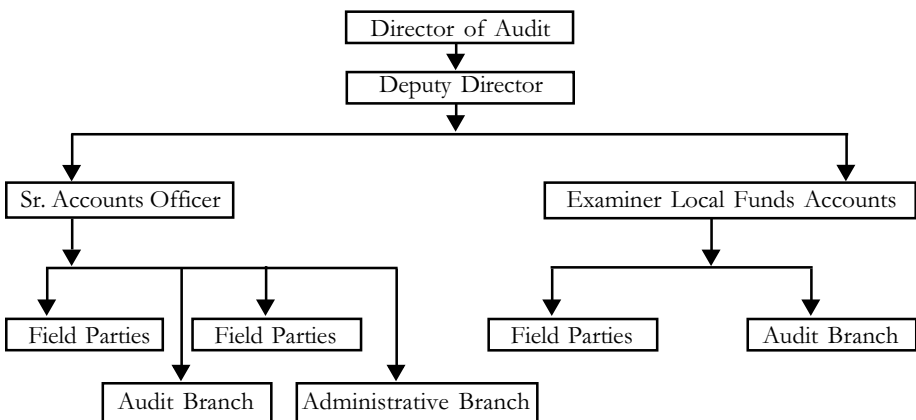
from the government, companies under liquidation, gram panchayats and autonomous organisations under the Delhi Government. It is also responsible for conducting special audits as and when requested by the concerned departments and directed by the higher authorities. The organisation shall check the initial accounts maintained in executive offices with a view to ascertain as to how far they are following the rules in financial matters. The internal audit should cover checking of all account records including those relating to fund accounts, loans and advances and records of physical verification of stores, equipments, tools and plants.

The inspection wing of the Directorate is responsible for inspection and audit of various departments. This involves studying accounting standards and procedures adopted by the department to see that they are correct and free of defects, as well as supervising the implementation of prescribed standards and removing the irregularities observed. Auditing and scrutinising the general office management, disposal of assets and purchase and store procedures are also some of the significant functions of the Directorate.

Organisational Structure

The Directorate of Audit is headed by Principal Secretary (Finance) and is assisted by Additional Secretary (Finance) and Deputy Secretary (Accounts). The Additional Secretary (Finance) is the controlling authority of Directorate of Audit. Figure 1 shows the organisational structure of the Directorate.

Figure 1: Organisational Structure of the Department



The Internal Audit wing consists of field parties headed by internal audit officers and carries out audit of the departments. The Local Fund Account Examiner carries out the audit of 100% grantee institutions and is headed by a Senior Accounts Officer. The third part is Finance Accounts, which is headed by Deputy Secretary, Finance (Accounts). It mainly deals with advice cases referred to it by the other departments. The number of employees working in the Directorate has not changed much over the years, the sanctioned strength being 173. The number of employees actually working was around 131 in the year 2004.¹ According to Detailed Demand for Grants 2005-06, the Directorate spends more than 90% of their budget estimates on their salaries in 2003-04.²

The Directorate carries audits of departments and 100% grantee institutions according to the books containing financial rules, administrative instructions and circulars issued by the Finance Department periodically, in addition to the directions contained in Manual of Internal Audit and Reports.

Functioning and Finances

The field parties carry out audit of the departments and 100% grantee institutions. Their reports, after scrutiny, are forwarded to the head of the audit unit by Senior Accounts Officers (HQ). In addition, special audits are conducted on the direction of higher officers. Special audit reports are submitted for perusal by the Principal Secretary (Finance)/ Director of Audit and reports are sent to the Administrative Secretary of the departments that have been subjected to special audit.

While department authorities are primarily responsible for seeing that revenue or other debt due to the government is correctly and properly assessed, realised and credited to government account, the internal inspection wing has to see that adequate regulations and procedures have been prescribed to the department. This would secure an effective check on collections, accounted revenue receipts and refunds. Before commencing expenditure audit in local audit, budget estimates and the actual expenditure incurred by the office under various heads of account are examined to know the nature and extent of expenditure under each head of account. The total number of audits done in 2004-05 is 309 and the target for 2005-06 is 386.³ The total sanctioned non-plan budget for 2005-06 is Rs 345 lac and expenditure was Rs 287 lac. The actual allocation and expenditure of the Directorate

is given in Table 2.

**Table 2: Allocations and Expenditure of the Directorate
(Rs in lac)**

<i>Year</i>	<i>Budget Estimate</i>	<i>Revised Budget Estimate</i>	<i>Actual Expenditure</i>
2001-02	215	206	196
2002-03	228	224	218
2003-04	235	229	227
2004-05	268	303	—
2005-06	349	—	—

Source: Government of NCT Delhi. Data abstracted from the Detailed Demand for Grants for the years of 2001-02, 2002-03, 2003-04, 2004-05, 2005-06

The largest chunk of funds is spent on salaries, as there are a large number of people on the payroll. Corruption is rampant in the Directorate, as misleading information is given about audits and internal nexus between departments is common. Mechanisms used by the Directorate are not foolproof either as corruption is widely prevalent in the government.

Principal Accounts Office

After being separated from the Audit Department, the Departmentalised Pay & Accounts Organisation came into existence in 1977. Pay & Accounts Offices (PAO) constitute the nodes of departmentalised accounts system. The Principal Accounts Office is the organic headquarters of various constituents of the system. Principal Accounts Office comprising 25 Pay & Accounts Offices, GPF Cell and Pension Cell provides services like payment for all schemes, salaries, pensions, and contingent payments to Delhi Government staff. It also maintains accounts of revenue receipts collected by departments and other centrally sponsored schemes. The Office is responsible for expenditure control and maintenance of accounts and pension adalats for grievances redressal.

Organizational Structure

The Controller of Accounts heads the Office assisted by four Deputy Controllers of Accounts, who are responsible for various branches like Administration, Technical and Accounts, Pension and Funds. There are 25 pay and accounts offices in various districts of Delhi. There are 9 Accounts Officers assisted by 24 Junior Accounts Officer. The Office

also has junior accountants, senior accountants and lower division clerks. The number of employees employed by the Office is quite substantial. In 2004, 647 employees were working in the Office out of 778 sanctioned posts.⁴

Functions and Responsibilities

The Office, through the Controller of Accounts, is responsible for compilation and consolidation of accounts as prescribed by the Delhi Government, and its submission to Finance Department, preparation of finance accounts, payment of loans, grants and pensions, presentation of finance and appropriation accounts before the Legislative Assembly, and attending to pensioners' grievances. It has administrative, establishment as well as expenditure control functions. The Office is responsible for implementation of voucher-level computerisation in the pay and accounts office and scheme for payment of salaries of Delhi Government staff through electronic clearance system (ECS).

Finances

The approved outlay for the Tenth Five Year Plan is Rs 500 lac. The major scheme envisaged is strengthening of the Principal Accounts Office and establishing an Electronic Data Processing (EDP) cell. The annual approved outlay and expenditure of the Office is shown in Table 3.

Table 3: Outlay and Expenditure of Principal Accounts Office
(Rs in lac)

Year	Approved Outlay (BE)	Revised Outlay (RE)	Expenditure till February that year	% w.r.t BE
2002-03	200	190	21.05	10.5
2003-04	210	125	28.5	13.5
2004-05	110	250	85.6	78.18
2005-06	500		18.4 (August 2005)	3.68

Source: Government of NCT Delhi. 2002, 2003, 2004, 2005. Annual Plans: Plan Outlay and Expenditure. Department of Planning

The Office has not been judiciously using the approved funds that are allocated to the Office. Only 10% was utilised in 2002-03 and it only increased to 13% in the next year. According to Demand for Grants 2005-06, Rs 12 crore has been allocated for its non-plan expenditure.

For schemes relating to strengthening of the Principal Accounts Office and setting up of an EDP Cell, a sum of Rs 5 lac has been approved, basically to take care of computerisation of the entire working of the Office. A sum of Rs 10 lac has been approved for preliminary survey/ other steps essential for construction of Lekha Bhawan.

Recommendations

The Department of Finance makes budgets and provides money to various departments of Delhi Government. However, budget making is still shrouded in secrecy and bureaucratic hassles. Budgets should be made in the open and subjected to public debate. The format should be made user-friendly, and the information should be put on the government website.

For sound budget management, zero-based budgeting with performance orientation should be adopted for improving transparency and efficiency in government expenditure. The accounting system should be on accrual basis and fund-based accounting should be used for evaluating per unit cost of services and in matching costs with performance standards. Transparency is also one of the most important features needed in the functioning of the Department, so that citizens know how budgets are made and utilised by relevant departments.

The Directorate of Audit has been under utilising the budget allocated to it, and the mechanism of audit is also not strong and reliable. This is evident from the rampant corruption and inefficiencies prevalent in major departments of Delhi Government. If the audit mechanism had been competent, it would have acted as a deterrent to fraud and misuse of taxpayers' money. It is suggested that audit mechanism be strengthened. This can be done by adopting the best audit practices from around the world. Contracts can be given to private companies to cross-check audit reports. A citizens' oversight committee can be formed that would comprise representation from civil society, elected candidates and experts in audit and accounts.

The most important factor would be to introduce transparency in the audit mechanism. Audit reports are not published, thus giving immense discretion to field parties and concerned officials. Reports should be published every year so that pressure can be generated to ensure better services. The Principal Accounts Office also can use

information technology to make the system better and reduce the manpower of the Department. This would make the system more efficient at lower costs.

-- Siddharth Bijpuria and Deepti Rao

Notes

- ¹ Government of NCT Delhi. 2004. *Census of Employees Working in Delhi Government and Autonomous Bodies*. Directorate of Economics and Statistics
- ² Government of NCT Delhi. 2005. *Detailed Demand for Grants 2005-06*.
- ³ Directorate of Audit's Website: <http://audit.delhigovt.nic.in/>
- ⁴ Government of NCT Delhi. 2004. *Census of Employees Working in Delhi Government and Autonomous Bodies*. Directorate of Economics and Statistics

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