More Than the Budget, Its the Union Government's Account Audit Reports That Deserve Attention

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As Union finance minister Nirmala Sitharaman delivered her budget speech on February 1, there was rapt attention not just in the parliament, but also in newsrooms. Undoubtedly, this has been a no brainer for many years, since the day of budget presentation in parliament is the day when India's finance minister lays down a roadmap of financial planning for the next fiscal year.

It remains a question as to whether parliamentarians and newsrooms display the same attentiveness to details and fine prints on the day when the audited accounts of the fiscal year and the audit report on the Union government's finance accounts are presented in parliament.

Why is there such a contrast?

The following table might help us understand why the above question is an important one.

Fiscal Year	Date on which CAG signed the audit	Date on which report was shared with government	Date it was tabled in parliament

2020-21	December 7, 2022	Not available	December 21, 2022
2019-20	July 16, 2021	July 16, 2021	November 29, 2021
2018-19	July 31, 2020	August 4, 2020	September 23, 2020
2017-18	February 1, 2019	January 22, 2019 (?)	February 12, 2019
2016-17	November 29, 2017	Not available	December 19, 2017
2015-16	December 2, 2016	Not available	December 16, 2016
2014-15	Not available	Not available	December 22, 2015
2013-14	April 28, 2015	Not available	May 25, 2015

All the dates that appear in the above table are compiled from the official website of India's national auditor, the CAG of India.

As we can see, the time taken to finalise these reports has differed. In the case of the fiscal year 2017-18, the information on the website appears to be an obvious data entry error no one has taken care to fix.

From budget estimates to expenditure outcomes

Of late, within the academic discipline of public finance management, the debate has moved from engaging with budget study to drawing comparisons between how much the finance minister allocated to a specific welfare schemes this year compared to what she had allocated to the same scheme last year.

But we need to examine expenditure outcomes with much more attention, since what interests us is not the quantity of expenditure but the quality of expenditure.

Thus, the crucial question is not how much was spent but how well the money was spent and what outcomes were achieved with that spending.

One of the major concerns that emerges is "cases of significant savings and excesses over budgetary provisions", despite several instructions and reminders to line departments to prepare demands for grants in a realistic manner.

The audit report notes:

“Public Accounts Committee (PAC) (10th Lok Sabha 1993-94) in its 60th Report had observed that savings of ₹100 crore or above are indicative of defective budgeting as well as shortfall in budget performance in a Grant or Appropriation. In its 16th Report, PAC (13th Lok Sabha 2000-2001) again observed that such savings are a result of injudicious formulation of budget and held that these could have been significantly reduced by making realistic budgetary projections. Consequently, MoF advised (through a communication dated 20th July 2001 and reiterated on 22nd July 2015) Ministries/ Departments to make a more careful formulation of plans/ schemes and make a realistic assessment of fund requirement”.

Let’s examine one instance of excess expenditure over budgetary provision and understand the political economy behind such an additional expenditure in terms of quality of expenditure and outcome achieved through such a sleight of hand.

The Department of Food and Public Distribution had received budgetary allocation worth Rs 4,35,596.24 crore, but it ended up spending Rs 5,54,244.84 crore during the fiscal year 2020-21. If our interest in public finance management does not transcend beyond staring at fiscal figures, we may end up giving those in charge of public money a long rope to explain such excess by stating, “India was facing a pandemic, we had a huge social responsibility to ensure no one remains hungry during lockdown”.

When we read the remarks by CAG auditors, we realise how lazy the above reasoning would be. In a year, when pandemic put a stress on public expenditure on actual food distribution, the Union government found an opportunity in what is clearly crisis-generated perception management to repay the outstanding balance of an National Social Security Fund loan extended to Food Corporation of India.

Does this sound like a left-leaning conspiracy theory?

The CAG Audit Report on Union government accounts for the fiscal 2020-21, which entered public domain after considerable delays, states:

“The chief component of excess was on account of subsidy payable to Food Corporation of India (FCI). This was because the Government of India made complete repayment of outstanding balance of NSSF loan grant to FCI, stating that the excess shall be regularized at appropriate time by obtaining Parliament’s approval, in consultation with MoF.

“Audit observed that while the original provision was Rs 77,928.54 crore, the Department of Food and Public Distribution was allocated Rs 2,50,162.13 crore through 2nd and final batch of supplementary demands for Grants on 26th March 2021 for regular repayment/advance repayment of NSSF loan to FCI. Later, on 30th March 2021, the MoF directed the Department to release further amount of Rs 1,18,712 crore to repay the complete balance of NSSF loan to FCI.”

Raising the audit objection, the CAG of India notes:

“Considering that the loan details were known quantity, the reasons for excess did not explain the need for excess expenditure done, despite the opportunity to take Parliament’s Approval through Supplementary demands for Grants for complete repayment of the loan.”

The most disturbing fact emerging from the above audit observation is that “at Grant level, this has been the highest excess expenditure in the last five years at least”!

In March 2021, while taking the above decisions, if the Ministry of Finance sought parliamentary approval to prioritise the complete repayment of outstanding loan, the government would have faced heat from opposition parties for finding “opportunities in crises”.

This is just one instance of the many of implications of not paying the same attention to finance and appropriation accounts of the Union Government and the audit remarks over the same.

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