

CHAPTER 2

Financial Management and Budgetary Control

This chapter outlines the Government's financial accountability and budgetary practices through audit of Appropriation Accounts.

Box 2.1

Appropriation Accounts

Appropriation Accounts are accounts of the expenditure, voted and charged of the Government for each financial year compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These Accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-à-vis* those authorized by the Appropriation Act in respect of both charged and voted items of budget. Appropriation Accounts thus facilitate management of finances and monitoring of budgetary provisions and are, therefore, complementary to Finance Accounts.

Audit of appropriations seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution of India is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

2.1 Summary of the Appropriation Accounts

The summarized position of actual expenditure during 2008-2009 against the total 30 grants/appropriations is given in the **Table 2.1**.

Table 2.1: Summarized position of actual expenditure vis-à-vis original/supplementary provisions

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	20403.57	1956.77	22360.34	20242.37	-2117.97
	II Capital	3823.44	1097.28	4920.72	2997.75	-1922.97
	III Loans and Advances	30.15	0	30.15	24.41	-5.74
Total Voted		24257.16	3054.05	27311.21	23264.53	-4046.68
Charged	IV Revenue	4865.36	46.54	4911.90	4957.54	+45.64
	V Capital	0	0	0	0	0
	VI Public Debt- Repayment	2446.05	0	2446.05	2288.52	-157.53
Total Charged		7311.41	46.54	7357.95	7246.06	-111.89
Appropriation to Contingency Fund		0	0	0	0	0
Grand Total		31568.57	3100.59	34669.16	30510.59	-4158.57

Note: The expenditure includes the recoveries of Rs 630.91 crore adjusted as reduction of expenditure under Revenue expenditure and Rs 109.16 crore under Capital expenditure.

The overall saving of Rs 4,158.57 crore (12 *per cent*) was the net result of saving of Rs 4,664.70 crore in 30 grants/15 appropriations (*Appendix 2.1*), set off by excess of Rs 506.13 crore in four grants/appropriations.

The savings/excesses were intimated (May and August 2009) by the Accountant General (Accounts & Entitlement), Punjab to the Controlling Officers requesting them to explain the significant variations, but explanations for the variations were not received (October 2009).

2.2 Financial Accountability and Budget Management

2.2.1 Appropriation vis-à-vis allocative priorities

The outcome of the appropriation audit reveals that in 21 cases (19 grants), savings exceeded by Rs 10 crore and by more than 20 *per cent* of the total provision in each case (*Appendix 2.2*). Against the total savings of Rs 3,142.38 crore (48.02 *per cent*), in 11 cases savings of Rs 2,904.80 crore, exceeding Rs 50 crore in each case, occurred, as indicated in **Table 2.2**.

Table 2.2: List of grants which had savings of Rs 50 crore and above
(Rupees in crore)

Sr. No.	No. and Name of the grant	Original grant	Supplementary grant	Total	Actual expenditure	Savings
Revenue-Voted						
1	01-Agriculture and Forests	610.52	15.02	625.54	478.09	147.45
2	09-Food and Supplies	361.48	1.23	362.71	125.36	237.35
3	17-Local Government, Housing and Urban Development	302.04	4.76	306.80	45.00	261.80
4	23-Rural Development and Panchayats	979.53	35.01	1014.54	377.01	637.53
Capital-Voted						
5	05-Education	269.60	1.65	271.25	119.26	151.99
6	11-Health and Family Welfare	76.04	84.65	160.69	24.03	136.66
7	13-Industries	77.18	0	77.18	20.04	57.14
8	15-Irrigation and Power	553.94	362.91	916.85	723.29	193.56
9	19-Planning	146.65	25.53	172.18	114.09	58.09
10	21-Public Works	1753.65	91.90	1845.55	894.12	951.43
11	23--Rural Development and Panchayats	165.80	58.76	224.56	152.76	71.80
Total		5296.43	681.42	5977.85	3073.05	2904.80

The departments did not intimate the reasons for the savings (August 2009).

2.2.2 Persistent savings

As can be noticed from the **Table 2.3**, in five cases, during the last five years there were persistent savings of more than Rupees seven crore in each case and also by 20 per cent or more of the total grant. Under two Centrally sponsored schemes (CSS), there were savings of 100 per cent during the last five years.

Table 2.3: List of grants indicating persistent savings during 2004-09
(Rupees in crore)

Sr. No.	No. and Name of the grant/Head of Account	Amount of savings(percentage of savings)				
		2004-05	2005-06	2006-07	2007-08	2008-09
Revenue-voted						
1	21-Public Works 2215-Water Supply and Sanitation –Water Supply – Direction and Administration	68.49 (46.35)	75.26 (46.32)	57.48 (33.43)	43.62 (23.25)	71.89 (32.60)
Capital-Voted						
2	15-Irrigation and Power 4711-Capital Outlay on Flood Control Projects – Flood Control – Civil Works – Construction of Flood Protection and Drainage Works – Works expenditure (CSS)	10.00 (100)	10.00 (100)	10.00 (100)	7.20 (72.00)	7.07 (88.38)
3	15-Irrigation and Power 4711-Capital Outlay on Flood Control Projects-Flood Control-Civil Works-Counter Protective Work (CSS)	10.00 (100)	10.00 (100)	8.38 (83.80)	10.00 (100)	8.00 (100)
4	17-Local Government, Housing and Urban Development 4217-Capital Outlay on Urban Development – Other Urban Development Schemes – Other expenditure–Prevention of Pollution of River Sutlej – Cost of land (CSS)	70.00 (100)	70.00 (100)	50.00 (100)	36.20 (100)	7.40 (100)
5	23-Rural Development and Panchayats 4515-Capital Outlay on Other Rural Development Programmes- Rural Development-Indira Awas Yojana (CSS)	13.20 (100)	13.20 (100)	25.00 (100)	39.00 (100)	39.00 (100)

The departments did not intimate the reasons for the savings (August 2009).

2.2.3 Excess over provisions during 2008-09 requiring regularization

The excess expenditure of Rs 506.13 crore as detailed in **Table 2.4** in three grants and two appropriations during the year 2008-09 require regularization under article 205 of the Constitution of India.

Table 2.4: Excess over provisions requiring regularization during 2008-09
(Rupees in crore)

Sr. No.		Number and title of grant	Total grant/ appropriation	Expenditure	Excess
Voted Grants					
1	3	Co-operation (Capital)	10.55	24.41	13.86
2	8	Finance (Revenue)	6241.22	6400.22	159.00
3	21	Public Works (Revenue)	772.49	1056.13	283.64
Charged Grants					
4	8	Finance	4856.10	4901.68	45.58
5	12	Home Affairs and Justice	25.86	29.91	4.05
Total			11906.22	12412.35	506.13

2.2.4 Excess over provisions relating to the previous years requiring regularization

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularized by the State Legislature. However, the excess expenditure amounting to Rs 5,109.94 crore for the years 2005-08 was yet to be regularized. The year-wise amount of excess expenditure pending for regularization is summarized in **Table 2.5**.

Table 2.5: Excess over provisions requiring regularization

(Rupees in crore)			
Year	Number of grants/ appropriations	Grant/ appropriation number	Amount of excess over provision
2004-05	4	8, 12, 21, 26	395.52
2005-06	2	17, 19	65.65
2006-07	5	5, 8, 21, 27, 30	3753.43
2007-08	6	8, 9, 12, 15, 19, 21	895.34
Total			5109.94

The Finance department stated (July 2009) that the excess expenditure could not be regularised due to non-receipt of replies from the concerned departments in time.

2.2.5 Persistent excess expenditure

In four grants, expenditure aggregating to Rs 502.08 crore exceeded the approved provision by Rs 10 crore in each case as indicated in **Table 2.6**.

Table 2.6: Grants/appropriations where expenditure in each case exceeded more than Rs 10 crore or more than 20 per cent of the provision

(Rupees in crore)

Sr. No.	Grant No	Name of the grant/ appropriation	Total grant/ appropriation	Expenditure	Excess expenditure (Percentage)
1	3	Co-operation (Capital-Voted)	10.55	24.41	13.86 (131.37)
2	8	Finance (Revenue-Voted)	6241.22	6400.22	159.00 (2.55)
3	8	Finance (Revenue-Charged)	4856.10	4901.68	45.58 (0.94)
4	21	Public Works (Revenue-Voted)	772.49	1056.13	283.64 (36.72)
		Total	11880.36	12382.44	502.08(4.23)

Of these, in the grants/heads mentioned in **Table 2.7**, excess expenditure by more than Rupees one crore in each case or by more than 20 per cent of the total provision had been observed consistently for the last five years.

Table 2.7: List of grants having persistent excess expenditure during 2004-09

(Rupees in crore)

Sr. No.	No. and Name of the grant	Amount of excess expenditure (percentage of excess expenditure)				
		2004-05	2005-06	2006-07	2007-08	2008-09
	Revenue-Voted					
	08-Finance					
1	2071-Pension and other Retirement Benefits-01-Civil 105-Family Pension	18.74 (20.56)	5.69 (4.83)	65.96 (46.47)	69.24 (48.90)	54.71 (24.28)
	21-Public Works					
2	2059-Public Works 60-Other Buildings 053-Maintenance and Repairs 19-Electrical Operational Works	2.77 (110.80)	3.04 (86.86)	2.59 (64.75)	4.39 (109.75)	5.29 (132.25)
3	3054-Roads and Bridges 80-General 001-Direction and Administration 01-Establishment charges transferred on pro-rata basis to the Major Head 3054-Roads and Bridges	22.41 (100.00)	34.63 (100.00)	86.20 (100.00)	48.13 (100.00)	42.62 (100.00)

The departments did not intimate the reasons for the persistent excess expenditure (August 2009).

2.2.6 Expenditure without provision of funds

As per article 14.1 of the Punjab Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that during 2008-09, expenditure of Rs 810 crore was incurred in four cases as detailed in **Table 2.8** without making any provision in the original estimates/ supplementary demand and without issuing any re-appropriation orders to this effect.

Table 2.8: Expenditure incurred without provision during 2008-09
(Rupees in crore)

Number and Name of grant/appropriation	Amount of expenditure without provision
01-Agriculture and Forests	5.09
05-Education	83.77
15-Irrigation and Power	187.02
21-Public Works	534.12
Total	810.00

The departments did not intimate the reasons for incurring expenditure without ensuring budget provision (August 2009).

2.2.7 Unnecessary/inadequate supplementary provisions

Supplementary provision aggregating to Rs 856.40 crore obtained in 20 cases, Rupees one crore or more in each case, during the year 2008-09 proved unnecessary as the expenditure did not come up to the level of original provision as detailed in **Appendix 2.3**. In two grants (Nos. 8 and 21) and two appropriation (Nos. 8 and 12), supplementary provision of Rs 480.03 crore proved insufficient by more than Rupees four crore in each case leaving an aggregate uncovered excess expenditure of Rs 492.28 crore.

2.2.8 Excess/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. During 2008-09, injudicious re-appropriations effected by the departments resulted in savings of Rs 489.90 crore in 23 sub-heads as detailed in **Appendix 2.4** and excess of Rs 163.06 crore in four sub-heads as detailed in **Table 2.9**.

Table 2.9: Insufficient re-appropriation of funds

(Rupees in crore)

Sr. No.	Grant No.	Description	Head of Account	Re-appropriation	Final Excess(+)
1	2	Animal Husbandry and Fisheries	2403-Animal Husbandry, Veterinary services and Animal Health, Setting up of new and strengthening of existing Veterinary Polyclinics (Plan)	0.19	+2.79
2	5	Education	2202-General Education, University and Higher Education, Government Colleges and Institutes, Government Arts Collage	8.36	+152.91
3	17	Local Government, Housing and Urban Development	4217-Capital Outlay on Urban Development, Other Urban Development Schemes, Other Expenditure, Municipal Development Fund (Plan)	41.30	+4.00
4	21	Public Works	5054-Capital Outlay on Roads and Bridges, State Highways, Other Expenditure, Central Road Fund (Plan)	2.49	+3.36
Total					+163.06

2.2.9 Anticipated savings not surrendered

As per Rule 17.20 of the Punjab Financial Rules, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At the close of the year 2008-09, there were 31 cases in which savings ranging between Rs 1.46 crore and Rs 637.53 crore occurred but no part of the anticipated savings was surrendered by the concerned departments. The total amount involved in these cases was Rs 2,186.13 crore, the details of which are given in *Appendix 2.5*.

Similarly, in 15 cases, after effecting partial surrender, savings ranging between Rs 7.50 crore and Rs 847.76 crore aggregating to Rs 2210.16 crore were not surrendered. The details are given in *Appendix 2.6*.

2.2.10 Rush of expenditure

According to para 18.15 of the Manual of Instructions of the Finance Department, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in three cases (Sr. No. 11, 13 and 16) expenditure exceeding Rs 10 crore and more than 50 *per cent* of the total expenditure for the year was incurred in March 2009. **Table 2.10** presents the

major heads where more than 50 *per cent* of the expenditure was incurred either during the last quarter (January to March) or during the last month of the financial year.

Table 2.10: Cases of rush of expenditure towards the end of the financial year 2008-09

(Rupees in crore)

Sr. No	Major Head	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2009	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1	2047	12.42	6.44	51.85	4.52	36.39
2	2075	3521.30	1951.53	55.42	1364.93	38.76
3	2220	25.90	13.82	53.36	9.19	35.48
4	2225	161.78	103.99	64.28	38.78	23.97
5	2250	0.32	0.16	50.00	0.13	40.63
6	2401	236.11	131.09	55.52	111.70	47.31
7	2404	23.43	18.88	80.58	7.72	32.95
8	2501	2.38	1.19	50.00	0.56	23.53
9	3053	15.43	8.10	52.50	6.79	44.01
10	3054	83.35	42.10	50.51	20.64	24.76
11	4055	115.89	68.07	58.74	60.02	51.79
12	4070	0.30	0.19	63.33	0.14	46.67
13	4210	24.20	22.51	93.02	14.30	59.09
14	4402	5.37	4.31	80.26	3.36	62.57
15	4403	9.13	6.53	71.52	6.27	68.67
16	4515	152.15	101.80	66.91	76.10	50.02
17	4701	190.97	104.20	54.56	63.76	33.39
Total		4580.43	2584.91	56.44	1788.91	39.06

On being pointed out (June 2009), the Finance Department (FD) while asking the concerned departments to furnish the reasons for rush of expenditure directed (September 2009) them to adhere to the instruction of the FD issued from time to time in this regard.

2.3 Conclusions and recommendations

Audit of appropriation accounts for the year ended 31 March 2009 revealed that there was an overall net saving of Rs 4,158.57 crore (12 *per cent*) during the year. In 19 grants, there were overall savings by 48 *per cent* of the provision. Expenditure of Rs 810 crore was incurred without provision of funds. Excess expenditure of Rs 5,109.94 crore relating to the period 2004-05 to 2007-08 awaited regularization by the State Legislature, besides expenditure of Rs 506.13 crore incurred during 2008-09 in excess of the provision also required regularization. During the year, the re-appropriations effected by the departments either proved unnecessary (Rs 489.90 crore) or insufficient (Rs 163.06 crore). In 17 heads, expenditure of Rs 2,584.91 crore (56 *per cent*) was incurred in the last quarter of the year indicating rush of expenditure.

Budgetary control needs to be strengthened in all the Government departments, particularly in the departments, where savings/excesses persisted. Issuance of re-appropriation/surrender orders and rush of expenditure at the end of the year should be avoided.

