

CHAPTER - II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

2.1.1 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-a-vis* those authorized by the Appropriation Acts in respect of both charged and voted items of the budget. The Appropriation Accounts thus facilitate the management of finances and monitoring of budgetary provisions and are therefore, complementary to the Finance Accounts.

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

2.1.3 The Finance Department of the State Government is responsible for preparation of the annual budget by obtaining estimates from various departments. The departmental estimates of receipts and expenditure are prepared by Controlling Officers on the advice of the heads of departments and submitted to the Finance Department on prescribed dates. The Finance Department consolidates the estimates and prepares the Detailed Estimates called 'Demand for Grants'. In the preparation of the budget, the aim should be to achieve as close an approximation to the actuals as possible. This demands the exercise of the utmost foresight both in estimating revenue and anticipating expenditure. An avoidable extra provision in an estimate is as much a budgetary irregularity as an excess in the sanctioned expenditure. The budget procedure envisages that the sum provided in an estimate of expenditure on a particular item must be that sum which can be expended in the year and neither larger nor smaller. A saving in an estimate constitutes as much of a financial irregularity as an excess in it. The budget estimates of receipts should be based on the existing rates of taxes, duties, fees etc.

Deficiencies in financial management and budgetary control are discussed in the subsequent paragraphs.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2010-11 against 83 grants/appropriations is as given in **Table 2.1**:

Table 2.1: Summarised Position of Actual Expenditure vis-à-vis Original/Supplementary Provisions

(₹ in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess(+)
Voted	I. Revenue	4385.06	265.31	4650.38	4157.60	-492.78
	II. Capital	1479.08	227.88	1706.96	1260.27	-446.69
	III. Loans & Advances	20.50	2.40	22.90	15.92	-6.98
Total voted		5884.65	495.59	6380.24	5433.79	-946.45
Charged	I. Revenue	683.94	0.35	684.29	685.95	1.66
	II. Capital	0.00	2.35	2.35	0.65	-1.70
	III. Public Debt	309.36	0.00	309.36	207.99	-101.37
Total Charged		993.30	2.70	996.00	894.59	-101.41
Grand Total		6877.95	498.29	7376.24	6328.38	-1047.86

(Source: Appropriation Accounts of the State Government)

Note: The expenditure includes the recoveries of revenue expenditure amounting to ₹ 59.77 crore and capital expenditure amounting to ₹ 39.72 crore adjusted as reduction of expenditure.

Supplementary provisions of ₹ 498.29 crore obtained during the year constituted 7.25 per cent of the original provision as against 10.77 per cent in the previous year.

The overall savings of ₹ 1,047.86 crore were the result of savings of ₹ 1,050.60 crore in 79 grants and two appropriations under the Revenue Section and 62 grants under the Capital Section and one appropriation (Public Debt-Repayments), offset by excess of ₹ 2.74 crore in one grant and one appropriation under the Revenue Section.

As may be seen from the above table, against the original provision of ₹ 6,877.95 crore, expenditure of only ₹ 6,328.38 crore was incurred. There was no requirement of supplementary funds. The actual savings of ₹ 1,047.86 crore, constituting 210 per cent of the supplementary budget of ₹ 498.89 crore, clearly indicate inaccurate estimation of funds and lack of control mechanism. Cases where supplementary provisions proved unnecessary as the expenditure did not come up to the level of the original provisions are discussed in **paragraph 2.3.5**.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriations vis-à-vis Allocative Priorities

Appropriation audit revealed that in 20 cases, savings exceeded ₹ two crore in each case and by more than 20 per cent of the total provision (**Appendix 2.1**). A list of grants where savings exceeded ₹ 50 crore is given in **Table 2.2**.

Table 2.2: List of Grants with Savings of ₹ 50 crore and above

(₹ in crore)

Sl. No.	No. and Name of Grant	Original	Supplementary	Total	Actual Expenditure	Savings
REVENUE (VOTED)						
1	32- Finance	53.45	-	53.45	1.39	52.06
2	55-Municipal Administration	124.24	13.71	137.95	77.46	60.49
CAPITAL (VOTED)						
3	21- Public Works	403.76	41.30	445.06	382.24	62.82
4	32-Finance	279.15	50.00	329.15	151.51	177.64
5	42- Sports and Youth Affairs	25.98	66.50	92.48	15.67	76.81

(Source: Appropriation Accounts of the State)

The Government attributed the savings to:-

Grant number 32- Finance

Savings in consultancy fees due to non-engagement/delay in appointment of Consultants.

Grant number 21 - Public Works

Non-execution of some of the planned works on water supply and sanitation, non-execution of work under Scheduled Tribe development scheme etc.

Grant number 42 - Sports and Youth Affairs

Non-finalisation of Pattern of Assistance by the Government for release of grants for 36th National Games and partly due to slow on-going departmental works undertaken by Public Works Department for construction of Play grounds, Sports complexes etc.

Grant number 55 - Municipal Administration

Non-receipt of grants from Government of India for grants to Local Bodies under Twelfth Finance Commission and non-receipt of proposal from Goa State Urban Development Agency for release of funds under Jawaharlal Nehru National Urban Renewal Mission.

2.3.2 Persistent Savings

In 14 cases, during the last five years, there were persistent savings of more than one crore in each case, as shown in **Table 2.3**.

Table 2.3: List of grants indicating persistent savings during 2006-11

(₹ in crore)

Sl. No.	Number and name of the grant	Amount of savings (Per cent to total grant)				
		2006-07	2007-08	2008-09	2009-10	2010-11
Revenue-Voted						
1	8- Treasury and Accounts Administration (North Goa)	19.50 (10.99)	48.45 (24.00)	57.27 (19.91)	325.50 (47.27)	126.92 (24.36)
2	19- Industries, Trade and Commerce	15.16 (60.82)	13.43 (69.70)	4.65 (20.83)	4.34 (17.05)	4.63 (15.87)
3	21-Public Works	7.92 (3.28)	6.94 (2.50)	2.96 (0.87)	5.23 (1.26)	9.06 (2.07)
4	31-Panchayats	1.02 (2.20)	6.81 (14.65)	8.28 (12.43)	13.24 (15.50)	1.49 (1.76)
5	34-School Education	3.97 (1.28)	3.20 (1.08)	51.79 (11.44)	15.55 (2.99)	20.09 (3.19)
6	45-Archives and Archaeology	1.77 (48.86)	1.38 (36.89)	2.10 (40.78)	2.79 (39.44)	3.20 (32.62)
7	48-Health Services	2.81 (3.92)	4.15 (5.51)	6.41 (5.56)	5.68 (4.32)	13.25 (7.90)
8	55-Municipal Administration	68.87 (64.89)	63.17 (59.83)	70.48 (59.15)	66.41 (51.90)	60.49 (43.85)
9	57-Social Welfare	2.17 (2.78)	6.46 (4.09)	16.61 (12.11)	11.12 (7.17)	13.73 (8.53)
10	65-Animal Husbandry and Veterinary Services	1.54 (8.22)	2.49 (13.08)	5.15 (19.00)	1.92 (6.41)	5.98 (19.38)
11	67-Ports Administration	1.02 (22.16)	1.23 (27.40)	1.58 (26.17)	1.80 (25.58)	1.08 (17.10)
Capital-Voted						
12	18- Jails	4.88 (79.58)	5.55 (74.03)	9.96 (84.67)	13.27 (76.79)	1.74 (13.91)
	21- Public Works	77.94 (27.80)	75.64 (25.45)	81.59 (23.01)	27.01 (7.11)	62.82 (14.11)
	45- Achieves and Archaeology	5.34 (97.09)	5.04 (91.59)	3.99 (36.26)	1.94 (18.50)	1.29 (17.86)
	67- Ports Administration	4.44 (95.93)	2.88 (64.00)	3.41 (66.24)	3.08 (33.53)	16.42 (84.12)
13	74- Water Resources	5.43 (3.29)	6.24 (3.71)	2.84 (1.51)	6.16 (3.17)	10.14 (4.56)
14	78- Tourism	2.90 (58.43)	1.24 (13.06)	1.17 (7.84)	2.34 (8.01)	26.58 (53.22)

It was observed that persistent savings of more than ₹ 25 crore were observed in Grant no. 55 (Revenue- voted) and Grant no. 21 (Capital- voted) during the years 2006-11.

The persistent savings indicated that the budgetary controls in the departments were not effective.

2.3.3 Excess over provisions relating to previous years requiring regularisation

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. Although no time limit for regularization of expenditure has been prescribed under the Article, the regularization of excess expenditure is done after the completion of discussion on the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure amounting to ₹ 7.63 crore for the years 2007-08 to 2009-10 was still to be regularized. The year-wise amount of excess expenditure pending regularization for grant/appropriations are summarised in **Table 2.4**.

Table 2.4: Excess over provisions relating to previous years requiring regularization

(Amount in ₹)

Year	Number of	Amount of excess over provision	Status of Regularization
	Grants/Appropriation		
2007-08	1	257094	Yet to be discussed by PAC
2008-09	3	301034	
2009-10	2	75703905	
Total	6	76262033	

(Source: Appropriation Accounts of the State)

Non-regularisation of the excess over grant/appropriation over the years is a breach of legislative control over grants/appropriation.

2.3.4 Excess over provisions during 2010-11 requiring regularization

During 2010-11 excess expenditure was incurred in two grants/appropriations over the amount authorized by the legislature. The excess expenditure requires regularization under Article 205 of the Constitution. The details are given in **Table 2.5**.

Table 2.5: Excess over provisions requiring regularization during 2010-11

(Amount in ₹)

Sl. No.	Number and title of Grant/Appropriation	Total grant / Appropriation	Expenditure	Excess
1	39- Government Polytechnic (Curchorem) (Revenue- Voted)	22900000	23320927	420927
2	Appropriation Debt Services (Revenue-charged)	6776624000	6803618644	26994644
Total		6799524000	6826939571	27415571

(Source: Appropriation Accounts of the State)

The excess expenditure under Appropriations for Debt Services was mainly due to the increased expenditure on interest from NSSF and NABARD.

2.3.5 *Unnecessary/Excessive/Inadequate supplementary provision*

Supplementary provisions aggregating ₹ 38.78 crore obtained in 13 cases of ₹ 10 lakh or more in each case during the year, proved unnecessary as the expenditure did not come up to the levels of the original provisions as detailed in **Appendix 2.2**.

2.3.6 *Excessive/unnecessary/insufficient 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. Re-appropriation proved injudicious in view of the excessive or insufficient provision and resulted in savings/excess of over ₹ 10 lakh in 14 major heads as detailed in **Appendix 2.3**. Some of the cases are discussed below:

In grant No. 61 (Craftsmen Training), augmentation of funds through re-appropriation (₹ 8.57 lakh) proved unnecessary due to savings of ₹ 27.62 lakh.

In grant No. 74 under Capital outlay on Flood control projects, withdrawal of ₹ 68.27 lakh by re-appropriation proved insufficient due to excess expenditure of ₹ 49.93 lakh.

In grant No. 21 (Public Works), augmentation of funds of ₹ 21.20 crore through re-appropriation under Tribal area sub plan proved insufficient due to excess expenditure of ₹ 10.25 crore.

2.3.7 *Unexplained re-appropriations*

In the re-appropriation statement, the reasons for the additional expenditure and the savings should be explained and general expressions such as “economy measures”, “austerity measures” “budget inadequate” etc., should be avoided. However, a scrutiny of re-appropriation order issued by various departments revealed that in respect of 152 out of 459 items (33%), the reasons given for additional provision/withdrawal of provision in re-appropriation orders were of general nature.

2.3.8 *Substantial surrenders*

Out of the total provision of ₹ 226.79 crore, substantial surrenders amounting to ₹ 180.57 crore were made from 10 grants on account of either non-implementation or slow implementation of schemes/programmes. The details of the cases where the surrenders were more than 50 *per cent* of the provisions are given in **Appendix 2.4**.

The departments attributed the substantial surrenders to:

32-Finance: Non-claiming of interest subsidy on loan disbursed by the Educational Development Corporation towards Chief Ministers Rozgar Yojana Scheme and non-engagement of consultants.

42-Sports: Delay in completion of works undertaken by Public Works Department and non-finalisation of pattern of assistance by Government for release of grants for 36th National Games.

47-Goa Medical College: Less number of major works undertaken by Public Works Department and non-purchase of machinery equipment.

49-Institute of Psychiatry and Human Behaviour: Non-finalization of tender towards purchase of equipment and ban on purchase of vehicles.

52-Labour: Non-launching of Swarnajayanthi Aarogya Bima Yojna Scheme.

54-Town and Country Planning: Non-acquisition of office premises and work of roads undertaken by Panaji Planning and Development Authority.

66-Fisheries and 67-Ports Administration: Non-execution of works undertaken by Public Works Department.

68-Forests: Non-availability of suitable land for construction of building.

2.3.9 Surrenders in excess of actual savings

In four cases, the amounts surrendered (₹ 10 lakh or more in each case) were in excess of the actual savings, indicating lack of or inadequate budgetary control in these departments. As against savings of ₹ 24.35 crore, the amount surrendered was ₹ 25.66 crore, resulting in excess surrender of ₹ 1.31 crore. Details are given in **Appendix 2.5**.

Further, in respect of Appropriation-Debt Services (charged), though an excess expenditure of ₹ 2.70 crore was incurred, an amount of ₹ 29.75 crore was surrendered in March 2011, indicating non-existence of any budgetary control mechanism.

2.3.10 Anticipated savings not surrendered

Rule 56 of the General Financial Rules, 2005 provides that the spending departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. At the close of the year 2010-11, there were five grants/appropriations, where no expenditure was incurred and the entire amount was surrendered in the last month of the financial year by the concerned departments. The total amount involved in these cases was ₹ 14.93 crore (**Appendix 2.6**). Further, there were seven grants/appropriations in which savings occurred but no part of them had been surrendered by the concerned departments. The total amount involved in these cases was ₹ 8.47 crore (**Appendix 2.7**). Similarly, out of total savings of ₹ 413.07 crore under 27 other grants/appropriations (savings of ₹ 10 lakh and above) ₹ 115.84 crore was not surrendered, details of which are given in **Appendix 2.8**. Besides in 22 cases, (surrender of funds in excess of ₹ 5 crore), ₹ 672.56 crore was surrendered in the last month of the financial year

(Appendix 2.9) indicating inadequate financial control and the fact that these funds could not be utilised for other development purposes.

2.3.11 Rush of expenditure

Rule 56 (3) of the General Financial Rules, 2005 provides that rush of expenditure, particularly in the closing months of the financial year shall be regarded as a breach of financial propriety and is to be avoided. Table- 2.6 presents the major heads where the expenditure exceeded ₹ five crore, which were also 50 per cent or more than 50 per cent of the total expenditure incurred in March 2011.

Table 2.6: Details of expenditure exceeding ₹ five crore and also more than 50 per cent total expenditure incurred in March 2011

(₹ in crore)

Sl. No.	Major Head	Total Expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2011	
			Amount	Percentage of Total expenditure	Amount	Percentage of Total expenditure
1	2225	22.44	19.58	87	15.97	71
2	4210	15.80	13.46	85	11.79	74
3	4801	192.97	159.25	82	151.54	78
4	5055	19.41	15.59	80	15.57	80
5	5053	50.00	40.00	80	40.00	80
6	4702	35.15	26.60	75	21.33	60
7	2711	14.79	10.45	70	8.30	56
8	4711	50.47	34.72	68	28.52	56
9	4202	86.03	56.92	66	51.61	59
10	2851	30.29	18.60	61	15.73	51
11	2236	13.75	8.07	58	7.58	55
12	2852	45.28	29.43	64	22.46	50
Total		576.38	432.67	75	390.40	67

(Source: Directorate of Accounts)

In respect of 30 Major Heads more than 50 per cent of expenditure was incurred either during the last quarter or during the last month of the financial year. Details are given in Appendix- 2.10. Uniform flow of expenditure is a primary requirement of proper budgetary control which was lacking during 2010-11.

2.4 Unreconciled expenditure

To enable Controlling Officers of departments to exercise effective control over expenditure to keep it within the budget grants and to ensure accuracy of their accounts, departmental officers are required to reconcile periodically and before the close of the accounts of a year, the departmental figures of expenditure with those recorded in the books of the Director of Accounts. The Public Accounts Committee in its forty-eighth report (1992) had desired that punitive action should be taken against erring Budget Controlling Authorities (BCAs). Even though non-reconciliation of departmental figures is pointed

out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2010-11 also. During 2010-11, 23 out of 85 BCAs, had not carried out such reconciliations for the entire year in respect of 760 units under their control, involving ₹ 1,650.56 crore and 11 BCAs had carried out such reconciliations only for part of the year in respect of 552 units under their control, involving ₹ 147.97 crore. The unreconciled periods in case of the partially reconciled units ranged from one to nine months. The details of the major BCAs, who did not reconcile the expenditure are detailed in **Table 2.7**.

Table 2.7: Budget Controlling Authorities who did not reconcile their figures

		(₹ in crore)
Sl. No.	Budget Controlling Authority who did not reconcile their figures	Amount not reconciled
1	Secretary, Legislature	15.57
2	District & Session Judge, South Goa	10.37
3	Collector, North Goa	13.53
4	Inspector General of Prisons	18.32
5	Principal Chief Engineer, Public Works Department	778.41
6	Director of State Lotteries	14.44
7	Director of Education	628.82
8	Director of Achieves & Archaeology	12.53
9	Director of Municipal Administration	79.15
10	Under Secretary (Law)	11.10
11	Registrar of Co-operatives Societies	14.64
12	Director of Sports	25.31
13	Director of Information and Publicity	14.51
14	Director of Agriculture	31.89
15	Conservator of Forest	13.59
16	Director of Tourism	49.19
	Total	1731.37

(Source: Directorate of Accounts)

2.5 Advances from Contingency Fund

The Contingency Fund of the State of Goa was established under the Goa Contingency Fund Act, 1988 in terms of the provision under Article 267 of the Constitution of India. The Fund was established with the objective of meeting expenditure of an unforeseen and emergent character, the postponement of which till its authorization by the Legislature would not be desirable.

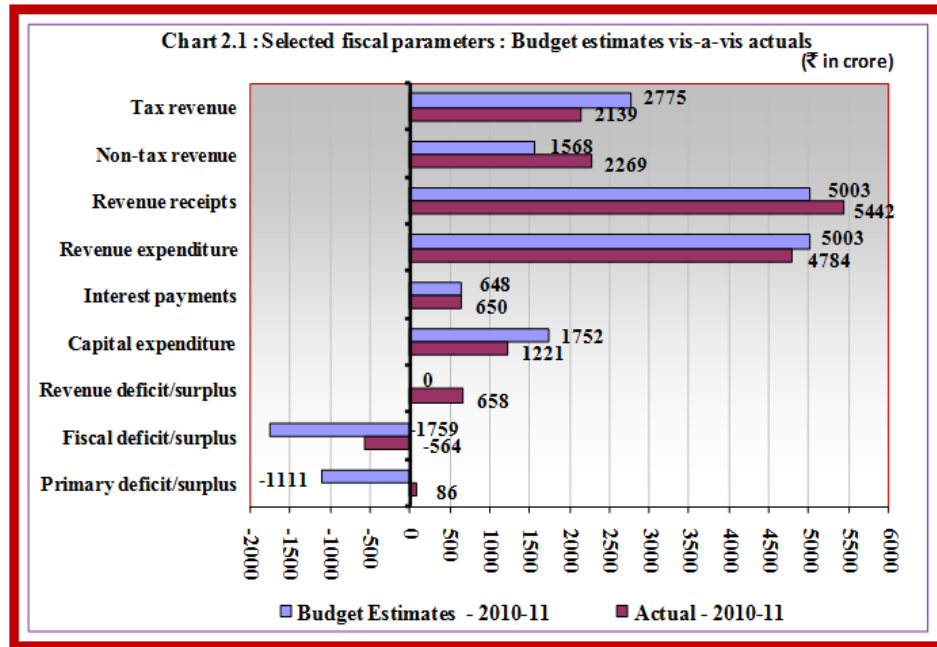
The fund was in the nature of an imprest with legislative approval, with a corpus of ₹ 30 crore. During the year, advances of ₹ 17.37 crore were drawn from the fund by issuing 23 sanctions.

The PAC in its 62nd Report (March 2008), observed that the Contingency Fund was utilised for pay and allowances, which could not be considered as unforeseen and unanticipated and warned of the recurrence of such

irregularities in future. Despite the concerns raised by the PAC five departments drew advances of ₹ 9.55 crore from the Contingency Fund during 2010-11 for payment of salary, though the expenditure was foreseeable (Appendix 2.11).

2.6 Outcome of Analysis of Budgetary Assumptions

During 2010-11, the actual revenue receipts were more than the budget estimates by 8.77 per cent. However, the actual revenue expenditure was less than the budget estimates by 4.38 per cent. The actual capital expenditure was also less than the budget estimates by 30.30 per cent and interest payments decreased by 0.30 per cent over the budget estimates. The budgeted and actual figures under revenue receipts and expenditure are given in Chart 2.1 and Appendix 2.13.



2.7 Outcome of review of selected Grant (Grant No.82)

A review on the budgetary procedure and control over expenditure in respect of Grant No. 82, Information Technology was conducted. Important points noticed during the review are detailed below:-

As against a budget provision of ₹ 79.14 crore (₹ 78.14 crore under revenue and ₹ 1.00 crore under capital), the actual expenditure was ₹ 44.22 crore (55.88%) resulting in a savings of ₹ 34.92 crore, (₹ 33.92 crore under revenue and ₹ 1.00 crore under capital).

As per Rule 56(2) of General Financial Rules, 2005, savings as well as provisions that cannot be profitably utilized should be surrendered to Government immediately when they are foreseen without waiting till the end of the year. Contrary to the provisions, against a savings of ₹ 34.92 crore,

₹ 5.93 crore was surrendered in March 2011, and the balance of ₹ 28.99 crore was allowed to lapse.

2.8 Conclusion and Recommendations

Conclusion

During 2010-11, expenditure of ₹ 6,328.38 crore was incurred against total grants and appropriations of ₹ 7,376.24 crore, resulting in savings of ₹ 1,047.86 crore. The overall savings were the net result of savings of ₹ 1,050.60 crore, offset by excess of ₹ 2.74 crore. This excess requires regularisation under Article 205 of the Constitution of India.

In most of the cases the Budget Estimates were either over-estimated or under-estimated. At the end of the year 2010-11, there were five grants/appropriations, in which no expenditure was incurred and the entire amount was surrendered in the last month of the financial year by the concerned departments. The total amount involved in the cases was ₹ 14.93 crore.

In 30 Major Heads, more than 50 *per cent* of the expenditure was incurred either during the last quarter or during the last month of financial year, which violated financial propriety.

Recommendations

- Budgetary controls should be strengthened in all the departments, especially in those departments where savings/excesses have been observed. All the departments should submit realistic budget estimates, keeping in view the trends of expenditure and the actual requirement of funds in order to avoid large savings/excesses.
- Last minute fund releases and issue of re-appropriation/surrender orders at the end of the year should be avoided.
- All the departments should closely monitor the expenditure against the allocations and incurring of expenditure in excess of the grants should be strictly avoided.
- Surrender of funds should be done much before the closing of the financial year so as to enable the government to utilize the funds on other schemes.
- Action needs to be taken to regulate and systematize the procedure to avoid heavy expenditure during the last quarter of the financial year.