

CHAPTER II FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

(A) The chapter outlines the Manipur Government's financial accountability and budgetary practices through audit of Appropriation 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 is so charged. It also ascertains whether the expenditure so incurred is in conformity with the law, relevant rules, regulations and instructions.

(B) 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 control document facilitating management of finances and monitoring of budgetary provisions and are therefore complementary to Finance Accounts.

2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2010-11 against 53 Grants/Appropriations (50 Grants and three Appropriations) is indicated in the table below:

Table 2.1: Summarized 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	3687.86	430.32	4118.18	3715.88	(-) 402.30
	II Capital	1773.06	396.24	2169.30	1920.08	(-) 249.22
	III Loans and Advances	18.20	-	18.20	3.80	(-) 14.40
Sub-total Voted		5479.12	826.56	6305.68	5639.76	(-) 665.92
Charged	IV Revenue	373.86	11.55	385.41	370.12	(-) 15.29
	V Capital	-	-	-	-	-
	VI Public Debt- Repayment	112.95	-	112.95	115.02	(+) 2.07
Sub-total Charged		486.81	11.55	498.36	485.14	(-) 13.22
Appropriation to Contingency Fund		-	-	-	-	-
Grand Total		5965.93	838.11	6804.04	6124.90	(-) 679.14

The overall saving of ₹ 679.14 crore was the result of saving of ₹ 741.56 crore in 49 Grants and three Appropriations under Revenue Section, 25 Grants under Capital Section, offset by excess of ₹ 62.42 crore in two Grants under

Revenue Section, five grants under Capital Section including one appropriation (Interest payment and Debt services).

Substantial savings occurred in Planning (Revenue Voted) (₹ 131.88 crore), Irrigation and Flood Control Department (Capital Voted) (₹ 96.74 crore), Education (Revenue Voted) (₹ 86.66 crore), Sericulture (Capital Voted) (₹ 61.23 crore) and Public Works (Capital Voted) (₹ 54.04 crore). Savings under these five grants accounted for 58 per cent of the overall savings.

Excess expenditure occurred mainly in Minor Irrigation (Capital Voted) (₹ 50.03 crore), which accounted for 80 per cent of the total excess. Substantial excess also occurred in Public Health Engineering (Capital Voted) (₹ 7.90 crore) and Finance Department (Revenue Voted) (₹ 2.14 crore).

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit reveals that in 46 cases, savings exceeded ₹ one crore in each case or by more than 25 per cent of total provision. Details are given in Appendix 2.1.

Against the total savings of ₹ 741.56 crore, savings of ₹ 599.01 crore (81 per cent) occurred in 13 cases relating to 11 grants, where savings were ₹ 10 crore and above in each case. Details are indicated in the table below:

Table 2.2: List of Grants with savings of ₹ 10 crore and above

(₹ in crore)						
Sl. no.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Saving
Revenue voted						
1	7 – Police	513.75	118.35	632.1	614.64	17.46
2	8 – Public Works Department	162.56	5.20	167.76	154.27	13.50
3	10 – Education	578.76	32.10	610.86	524.20	86.66
4	11 – Medical, Health and Family Welfare Services	191.63	29.79	221.42	209.33	12.09
5	17 – Agriculture	96.39	31.03	127.43	98.65	28.78
6	20 – Community Development and ANP, IRDP and NREP	111.76	2.07	113.83	101.58	12.25
7	30 – Planning	307.41	0	307.41	175.53	131.88
	Sub-total	1962.26	218.54	2180.81	1878.2	302.62
Capital voted						
8	8 – Public Works Department	156.27	74.86	231.13	177.09	54.04
9	12 – Municipal Administration, Housing and Urban Development	84.05	15.21	99.26	52.81	46.45
10	30 – Planning	689.94	0	689.94	665.76	24.18
11	39 – Sericulture	62.76	0	62.76	1.53	61.23
12	40 – Irrigation and Flood Control Department	282.75	18.75	301.50	204.76	96.74
13	44 – Social Welfare Department	13.75	0	13.75	0	13.75
	Sub-total	1289.52	108.82	1398.34	1101.95	296.39
	Total	3251.78	327.36	3579.15	2980.15	599.01

It was seen that in eight cases supplementary provisions were made unnecessarily as the actual expenditure was even less than original provisions.

There was saving of more than ₹ 100 crore in one case viz. Planning (₹ 131.88 crore) under Revenue Voted and was 43 per cent of its total provision.

2.3.2 Persistent savings

In two cases, during the last five years there were persistent savings of ₹ 50 lakh or more in each case as indicated in the table below:

Table 2.3: List of Grants indicating Persistent Savings during 2006-11

(₹ in lakh)

Sl. No.	Name of the grant	Amount of savings (per cent of savings vis-à-vis total provision)				
		2006-07	2007-08	2008-09	2009-10	2010-11
Revenue -Voted						
1	40 - Irrigation and Flood Control Department	1172.32 (28)	990.59 (27)	2158.91 (45)	2451.82 (39)	476.20 (9)
Capital -Voted						
2	37 – Fisheries	233.74 (79)	294.45 (100)	59.74 (93)	50 (37)	50.74 (24)

Persistent savings in respect of these two Departments were reported continuously in earlier Audit Reports on State Finances for the years 2008-09 and 2009-10. However, no steps have been taken to avoid such trend of persistent savings, indicating that the budgetary control in these departments and supervision of the Finance Department was weak.

2.3.3 Excess Expenditure

In four cases, excess of expenditure over total provision by ₹ one crore or more in each case aggregated to ₹ 62.14 crore; as detailed in the table below:

Table 2.4: Statement showing excess of expenditure by ₹ 25 lakh or more

(₹ in lakh)

Sl. no.	Grant No.	Total Provision	Expenditure	Excess
Revenue voted				
1	5 – Finance Department	43068.59	43282.23	213.64
Capital voted				
2	22 – Public Health Engineering	21207.10	21997.03	789.93
3	36 – Minor Irrigation	6938.24	11941.27	5003.03
Capital charged				
4	Appropriation No. 2 – Interest Payment and Debt Services	11294.89	11501.83	206.94
Total		82508.82	88722.36	6213.54

In one case, the excess of expenditure exceeded ₹ 50 crore viz., Minor Irrigation (Capital Voted) (₹ 50.03 crore).

2.3.4 Expenditure without provision

Expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹ 113.95 crore was incurred in 22 cases (Appendix-2.2) without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

In two cases, expenditure without provision exceeded ₹ 15 crore viz, Public Health Engineering (Grant no. 22 - 4215(CPS).01.102.02(H)) (₹ 15.64 crore) and Planning (Grant no. 30 - 4059(SP).01.101.01(H)) (₹ 48.15 crore).

2.3.5 Excess over provisions relating to previous years requiring regularization

As per Article 205 of the Constitution of India, it is mandatory for 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, regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure amounting to ₹ 213.60 crore for the years 2007-08 to 2009-10 was yet to be regularized as detailed in Appendix 2.3. The year-wise amount of excess expenditure pending regularization for grants/appropriations is summarized in the table below:

Table 2.5: Excess over provisions relating to previous years requiring regularization

(₹ in crore)

Year	No. of Grants	No. of Appropriation	Amount of excess	Status of Regularization (as of November 2011)
2007-08	11	2	81.59	PAC Report awaited.
2008-09	14	--	102.87	-do-
2009-10	10	1	29.14	-do-
Total:	35	3	213.60	

2.3.6 Excess over provisions during 2010-11 requiring regularization

The table below contains the summary of total excess in seven Grants/Appropriation amounting to ₹ 62.42 crore over authorization from the Consolidated Fund of the State during 2010-11 and requires regularization under Article 205 of the Constitution.

Table 2.6: Excess over provisions requiring regularization during 2010-11

(In ₹)

Sl. No.	Number and title of grant/appropriation	Total provision	Expenditure	Excess
Revenue Voted				
1	5 – Finance Department	4306859000	4328223307	21364307
2	46 – Science and Technology	103138000	103313951	175951
	Sub-Total	4409997000	4431537258	21540258
Capital Voted				
3	17 – Agriculture	193157000	193334968	177968
4	22 – Public Health Engineering	2120710000	2199702607	78992607
5	36 – Minor Irrigation	693824000	1194127410	500303410
6	41 – Art and Culture	93200000	95695655	2495655
	Sub-Total	3100891000	3682860640	581969640
Capital Charged				
7	Appropriation No. 2 – Interest Payment & Debt Services	1129489000	1150183099	20694099
	Sub-Total	1129489000	1150183099	20694099
	Total	8640377000	9264580997	624203997

2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating ₹ 75.58 crore obtained in 14 cases, during the year proved unnecessary as the expenditure did not come up to the level of original provision.

Out of these, in three cases unnecessary supplementary provisions provided exceeded ₹ 15 crore viz., Education (₹ 32.10 crore) under Revenue Voted account and Municipal Administration, Housing and Urban Development (₹ 15.21 crore) and Irrigation and Flood Control Department (₹ 18.75 crore) under Capital Voted account.

Table 2.7: Statement showing unnecessary supplementary provision

(₹ in lakh)

Sl. no.	Grant No.	Original provision	Expenditure	Savings out of Original Provision	Supplementary
Revenue voted					
1	9 – Information and Publicity	414.82	410.87	3.95	13.20
2	10 – Education	57875.74	52419.60	5456.14	3210.00
3	15 – Consumer Affairs, Food and Public Dist.	974.68	899.45	75.23	125.25
4	16 – Co-operation	1309.42	1283.00	26.42	118.06
5	20 – Community Development and ANP, IRDP and NREP	11175.52	10157.79	1017.73	207.05
6	24 – Vigilance Department	197.86	194.62	3.24	2.05
7	28 – State Excise	1248.95	1223.78	25.17	123.66
8	36 – Minor Irrigation	843.43	838.72	4.71	82.11
9	38 – Panchayat	3662.19	3118.60	543.59	43.97
10	48 – Relief and Disaster Management	916.58	552.57	364.01	9.35
11	49 – Economics & Statistics	992.43	843.42	149.01	71.07
Capital voted					
12	12 – Municipal Admn., Housing and Urban Dev.	8404.61	5280.63	3123.98	1521.24
13	40 – Irrigation and Flood Control Department	28275.00	20476.16	7798.84	1874.76
14	47 – Welfare of Minorities and Other Backward Classes	2301.47	2276.31	25.16	156.12
Total		118592.70	99975.52	18617.18	7557.89

In five cases, supplementary provision of ₹ 88.82 crore proved insufficient by more than ₹ 10 lakh in each case, leaving an aggregate uncovered excess expenditure of ₹ 62.38 crore in these five cases. Details are given in the table below:

Table 2.8: Statement showing insufficient supplementary provision by more than ₹ 10 lakh

(₹ in lakh)						
Sl. no.	Grant No.	Original	Supplementary	Total	Expenditure	Excess
Revenue Voted						
1	5 – Finance Department	43068.59	0	43068.59	43282.22	213.63
Capital Voted						
2	22 – Public Health Engineering	12808.04	8399.06	21207.1	21997.03	789.93
3	36 – Minor Irrigation	6610.53	327.71	6938.24	11941.27	5003.03
4	41 – Art and Culture	777	155	932	956.96	24.96
Capital Charged						
5	Appropriation 2 – Interest Payment and Debt Services	11294.89	0	11294.89	11501.83	206.94
Total		74559.05	8881.77	83440.82	89679.31	6238.49

In one case, the excess of expenditure more than ₹ 50 crore occurred despite providing supplementary provision viz., Minor Irrigation (₹ 50.03 crore) under Capital Voted account.

2.3.8 Excessive/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. Injudicious re-appropriation proved insufficient by more than ₹ 50 lakh or more in each case and resulted in excess of expenditure ₹ 145.79 crore in 37 sub-heads and excessive in 65 sub-heads resulting in savings of ₹ 417.39 crore. This resulted in overall savings of ₹ 271.60 crore in these 102 sub-heads as detailed in Appendix-2.4.

Despite re-appropriation, there were savings of ₹ 50 crore or more in two cases viz., Irrigation and Flood Control Department (4700.03.051.11 (Valley)) (₹ 76.85 crore) and Planning (4059.01.101.01 (Valley)) (₹ 68.17 crore).

On excess side, there were two cases in which excess of expenditure exceeded more than ₹ 10 crore viz. Finance Department (2071.01.101.36) (₹ 24.44 crore) and Planning (5054.05.337.02 (Valley)) (₹ 10.82 crore).

2.3.9 Substantial surrenders

Substantial surrenders (amount exceeding ₹ 50 lakh in each case) were made in respect of 18 sub-heads. In one case under Grant 21 – Commerce and Industries (Deen Dayal Hatkargaha Protsaham Yojana (CSS))¹, the whole amount of ₹ 3.96 crore was surrendered. In five cases², the amount surrendered was more than the total provision of the respective heads and in six cases³, despite no provision of fund in the respective heads of accounts, an

¹ Sl. No. 11 – Appendix 2.5

² Sl. No. 2, 7, 8, 10 and 16 of Appendix 2.5

³ Sl. No. of 12, 13, 14, 15, 17 and 18 of Appendix 2.5

amount of ₹ 223.34 crore had been surrendered. The details are given in Appendix-2.5.

2.3.10 Surrender in excess of actual saving

There was no Grant or Appropriation where savings had occurred and the surrendered amount of the respective Grant/Appropriation exceeded the savings of that Grant/Appropriation.

2.3.11 Surrender despite excess of expenditure

In three cases viz., Finance Department under Revenue accounts, Public Health Engineering under Capital accounts and Appropriation No. 2 under Capital Charged, an amount of ₹ 44.19 crore was surrendered despite having excess of expenditure over total provision.

Table 2.9: Statement showing cases of surrender despite excess of expenditure

(₹ in lakh)					
Sl. no.	Grant No.	Total Provision	Expenditure	Excess	Surrender
1	5 – Finance Department (Revenue Voted)	43068.59	43282.23	213.64	4097.55
2	22 – Public Health Engineering (Capital Voted)	21207.10	21997.03	789.93	21.00
3	Appropriation No. 2 – Interest Payment and Debt Services	11294.89	11501.83	206.94	299.99
	Total	75570.58	76781.09	1210.51	4418.54

Surrender of fund provision when there were excess of expenditure over budgetary provision shows total absence of budgetary control.

2.3.12 Anticipated savings not surrendered

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 2010-11, there were, however, 50 Grants/Appropriations (72 cases) in which savings occurred but no part of which had been surrendered by the concerned departments.

The amount involved in these cases was ₹ 510.91 crore (69 per cent of the total savings of ₹ 741.56 crore) (Appendix-2.6).

Similarly, out of savings of ₹ 653.15 crore under 33 Grants/Appropriations (42 cases) where savings were ₹ one crore and above in each case, only ₹ 139.12 crore pertaining to four Grants/Appropriation⁴ could be surrendered leaving a balance savings of ₹ 514.03 crore (79 per cent). Details are given in Appendix-2.7.

Besides, in nine Grants/Appropriation (11 cases), ₹ 260.98 crore were surrendered on 31 March 2011 (Appendix-2.8) indicating inadequate financial control and the fact that these funds could not be utilized for other development purposes.

⁴ Grants no. 21 and 30 under Revenue Voted; Appropriation 2 under Revenue Charged and Grant 30 under Capital Voted.

2.3.13 Rush of expenditure

As per provisions of the General Financial Rules, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 96 major heads of accounts as listed in Appendix 2.9, expenditure more than 25 per cent of the total expenditure for the year was incurred in March 2011. Of these, in 26 cases involving ₹ 126.24 crore, the whole amount was incurred in March, indicating there was no control over the flow of expenditure.

2.4 Non-reconciliation of Departmental figures

2.4.1 Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

As per Central Treasury Rules⁵, Abstract Contingent (AC) bills must be regularized by detailed countersigned contingent (DCC) bills. An AC bill should not be encashed without a certificate to the effect that DCC bills in respect of earlier AC bills drawn more than a month before the date of that bill have been submitted to the controlling officer. The controlling officers must submit the DCC bills to the Accountant General within one month from the date of receipt of the DCC bills in his office.

The total amount of DCC bills received during the period 2003-11 was ₹ 1,366.20 crore against the amount of AC bills of ₹ 2,019.49 crore leading to an outstanding balance of DCC bills of ₹ 653.29 crore as on October 2011. Year wise details are given in the table below:

Table 2.10: Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

(₹ in crore)

Year	Amount of AC bills	Amount of DCC bills	DCC bills as percentage of AC bills	Outstanding DCC bills
2003-04	34.56	13.78	39.90	20.77
2004-05	82.54	76.00	92.08	6.54
2005-06	46.00	35.52	77.22	10.48
2006-07	149.68	101.51	67.82	48.17
2007-08	355.57	241.95	68.05	113.62
2008-09	583.76	510.79	87.50	72.97
2009-10	415.72	280.99	67.59	134.73
2010-11	351.66	105.66	30.05	246.00
Total	2019.49	1366.20	67.65	653.29

(source: VLC records of O/o AG (A&E))

Department-wise pending DCC bills for the years up to 2010-11 is detailed in Appendix-2.10. Non-adjustment of advances for long periods is fraught with

⁵ Rule 308, Rule 309 & Note 4 under Rule 312

the risk of mis-appropriation and therefore, requires close monitoring by the respective DDOs. Thus, there is a need of early reconciliation of AC bills.

2.4.2 Un-reconciled 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, Financial Rules stipulate that expenditure recorded in their books be reconciled by them every month during the financial year with that recorded in the books of the Accountant General. Even though non-reconciliation of Departmental figures is being pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2010-11 also. Out of 81 controlling officers (CO), only 23 COs could fully reconcile (November 2010) their accounts with Accountant General (A & E) office.

2.5 Personal Deposit Accounts

Personal Deposit (PD) Accounts is created for parking funds by debit to the Consolidated Fund of the State and should be closed at the end of the financial year by minus debit to the relevant service heads. There were nine PD accounts in three District Treasuries⁶ in operation during 2010-11. Of these accounts, four PD accounts⁷ were not closed as of 31 March 2011 and balance of ₹ 70.75 crore with these accounts was not transferred back to the respective service heads.

2.6 Errors in budgeting process

There was nineteen cases under thirteen demands of grants which had incorrect major heads, sub-major heads and minor heads of accounts; which did not conform with the list of Major and Minor heads of accounts.

2.7 Conclusion and recommendations

During 2010-11, an expenditure of ₹ 6,124.90 crore was incurred against a total budget provision of ₹ 6,804.04 crore, resulting in an overall saving of ₹ 679.14 crore. The overall saving was the net result of saving of ₹ 741.56 crore offset by excess of ₹ 62.42 crore. The excess of expenditure requires regularization under Article 205 of the Constitution of India. Excess expenditure for the period 2007-10 is yet to be regularized, awaiting recommendation of the Public Accounts Committee (PAC) to regularize the excess expenditure (Paras 2.2 and 2.3).

An expenditure of ₹ 113.95 crore was incurred in 22 cases without any provision in the original estimates/supplementary demand/re-appropriation. Supplementary provision aggregating ₹ 75.58 crore in 14 cases was unnecessary as the expenditure did not come up to the level of original

⁶ Imphal West, Imphal East and Lamphel treasuries

⁷ Planning and Development Authority, Apex housing Cooperative Society, State Lotteries and Consumer Affairs and public Distribution

provision while in five cases, supplementary provision of ₹ 88.82 crore proved insufficient by more than ₹ 10 lakh in each case. Substantial surrenders (amount exceeding ₹ 50 lakh in each case) were made in respect of 18 sub-heads, out of which in one scheme/programme, the whole provision amounting to ₹ 3.96 crore was surrendered while in six cases an amount of ₹ 222.34 crore was surrendered despite having no provision of funds in the respective heads of accounts (Para 2.3). Out of ₹ 2,019.49 crore paid through Abstract Contingent (AC) bills during 2003-11, Detailed Countersigned Contingent bills for ₹ 653.29 crore are outstanding as on October 2011 (Para 2.4).

Expenditure without provision and surrender of whole amount/ funds without provision of funds indicate that the budgetary process needs to be improved so as to avoid re-occurrence of such irregularities in future. Supplementary provisions should be used as an instrument to fine tune the flow of expenditure and should be applied in a judicious manner so that budget provisions and actual expenditure are convergent to each other as nearest as possible. While a marked improvement in settling of outstanding AC bills was visible in the current year, a close and rigorous monitoring mechanism needs to be applied to adjust AC bills within thirty days from the date of drawal of the amount.