

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-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 provision and are therefore complementary to 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 Act and that the expenditure required to be charged under the provision 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.

2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2009-2010 against 80 grants/appropriations is given in **Table 2.1**:

Table 2.1: Summarized Position of Actual Expenditure vis-à-vis Original/Supplementary provision

(Rupees in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	2806.97	404.67	3211.64	2889.59	(-)322.05
	II Capital	1335.17	296.75	1631.92	992.89	(-)639.03
	III Loans and Advances	0.19	0.00	0.19	0.19	0.00
Total Voted		4142.33	701.42	4843.75	3882.67	(-)961.08
Charged	IV Revenue	409.15	2.24	411.39	394.76	(-)16.63
	V Capital	0.00	0.00	0.00	0.00	0.00
	VI Public Debt- Repayment	771.35	0.00	771.35	725.83	(-)45.52
Total Charged		1180.50	2.24	1182.74	1120.59	(-)62.15
Appropriation to Contingency Fund (if any)		0.00	0.00	0.00	0.00	0.00
Grand Total		5322.83	703.66	6026.49	5003.26	(-)1023.23

The overall saving of ₹ 1023.23 crore was the result of saving of ₹ 1085.40 crore in 51 grants and 5 appropriations under Revenue Section, 34 grants and 1 appropriation (Public Debt-Repayments) under Loan Section, set off by excess of ₹ 62.17 crore in 19 grants and one appropriation under Revenue Section and 7 grants under Capital Section.

The savings/excess (Detailed Appropriation Accounts) were intimated in September 2010 to the Controlling Officers requesting them to explain the significant variations. Besides regular reminders, separate meetings were also held with the Controlling Officers of each department by the Senior Deputy Accountant General (Accounts and Entitlement) in which they were again requested to furnish reasons for excess/savings. The explanations for variation were not received (December 2010) in any case except two departments i.e. Public Service Commission and Urban Development having excess expenditure, who submitted the reasons before finalization of the Appropriation Accounts (December 2010).

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit revealed that in 46 cases, savings exceeded ₹ one crore in each case or by more than 20 per cent of total provision (**Appendix 2.1**). Against the total savings of ₹ 1023.23 crore, savings of ₹ 535.63 crore (52.35 per cent)¹ occurred in 4 cases relating to four grants as indicated in **Table 2.2**.

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

(Rupees in crore)

Sl. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Savings
Revenue-Voted						
1	27-Planning Machinery	111.35	0.00	111.35	33.46	77.89
2	43-Social Security and Welfare	128.82	10.27	139.09	55.17	83.92
Capital-Voted						
3	27-Planning Machinery	299.46	0.00	299.46	42.47	256.99
4	36-Urban Development	164.16	32.48	196.64	79.81	116.83
Total		703.79	42.75	746.54	210.91	535.63

The reason for savings under Planning Machinery, Social Security and Welfare under Revenue Voted and Planning Machinery under Capital Voted have not been intimated (December 2010). However, saving under grant number 36 - Urban Development, was stated to be due to non-utilisation of CSS fund.

2.3.2 Persistent Savings

In 8 cases, during the last five years there were persistent savings of more than ₹ 50 lakh in each case and also by 10 per cent or more of the total grant (**Table 2.3**)

¹ Exceeding ₹ 50 crore in each case.

Table 2.3: List of Grants indicating Persistent Savings during 2005-10

(Rupees in crore)

Sl. No.	No. and Name of the grant	Amount of savings				
		2005-06	2006-07	2007-08	2008-09	2009-10
Capital-Voted						
1	27-Planning Machinery	32.32	49.67	121.36	118.85	256.99
2	31-School Education	1.23	5.04	3.20	2.08	8.56
3	35-Medical, Public Health and Family Welfare	28.38	9.90	7.93	37.61	14.23
4	36-Urban Development	40.21	14.97	17.07	60.37	116.83
5	39-Tourism	10.43	3.88	1.00	0.60	22.73
6	45-Co-operation	3.02	8.76	11.94	14.71	28.34
7	55-Power Projects	22.66	52.99	66.63	18.28	30.61
8	65-State Council of Education Research and Training	1.31	1.53	4.06	1.20	1.46

The reasons for persistent savings have not been intimated (December 2010).

2.3.3 Expenditure without Provision

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹ 96.83 crore was incurred in 18 cases as detailed in **Table 2.4** without any provision in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

Table 2.4: Expenditure incurred without provision during 2009-10

(Rupees in crore)

Grants	Number and Name of Head of Account	Amount of Expenditure without provision	Reasons/Remarks
14-Jails	2059-01-053-14-TFC Awards (Jail)	0.35	Not indicated
26-Civil Secretariat	3451-090-01-APC Cell	0.04	Not indicated
35-Medical, Public Health and Family Welfare	2210-01-110-02-Dispensaries	2.26	Not indicated
36-Urban Development	4217-60-051-07-Initiative for strengthening of Urban Infrastructure	0.29	Not indicated
36-Urban Development	4217-60-800-10-Other Expenditure	4.49	Not indicated
38-Information and Public Relations	2220-60-102-01-Information Centre, New Delhi	0.09	Not indicated
45-Co-Operatin	4425-107-01-State Scheme	1.29	Not indicated
48-Agriculture	2401-103-05-Pungro Seed Farm	0.50	Not indicated
50-Animal Husbandry and Dairy Development	2403-101-02-Veterinary Outposts	0.10	Not indicated
50-Animal Husbandry and Dairy Development	2403-101-04-Disease Investigation Unit	0.86	Not indicated
52-Forest	2406-01-101-06-Maintenance of Forest under TFC Award	0.10	Not indicated
56-Road Transport	5055-050-02-Drivers Training Institute	0.48	Not indicated

56-Road Transport	5055-800-12-ISBT	2.62	Not indicated
58-Roads & Bridges	3054-80-799-01-Stock (Dr)	0.13	Not indicated
58-Roads & Bridges	3054-80-799-03-Misc. Advance (Dr)	0.02	Not indicated
58-Roads & Bridges	5054-03-800-Other Expenditure	0.16	Not indicated
60-Water Supply Schemes	2215-01-799-02-Stock (Dr)	82.65	Not indicated
Total		96.83	

2.3.4 Drawal of funds to avoid lapse of budget grant

As per provision of Central Treasury Rules read with Rule 290 of Financial Rules, no money shall be drawn from the treasury unless it is required for immediate disbursement. In respect of the cases mentioned below the amounts drawn were neither fully spent for the specific purposes nor remitted to Government Account before closure of financial year 2009-10.

Information in this regard, during the year 2009-10 was called for (September 2010) from 48 departments. However, only 22 departments furnished (December 2010) the information which showed that an amount of ₹ 67.38 crore remained undisbursed in respect of 17 departments as shown below:

Table 2.5: List of Grants indicating drawal of funds to avoid lapse of budget grant
(Rupees in crore)

Sl. No	Number and name of Grants	Amount drawn during 2009-10	Amount remaining undisbursed
1.	52-Principal Chief Conservator of Forests	63.19	6.64
2.	79-Border Affairs	3.23	0.73
3.	40-Employment and Craftsmen Training	3.84	1.75
4.	42-Rural Development	0.74	0.74
5.	78-Technical Education	10.25	10.25
6.	25-Land Records and Survey	0.85	0.11
7.	5-Election	6.18	1.11
8.	22-Food and Civil Supplies	1.45	0.81
9.	59-Irrigation and Flood Control	51.29	21.93
10.	77-Development of Under Developed Areas	58.24	4.00
11.	47-Weights and Measures	2.48	1.91
12.	46-Economics and Statistics	0.39	0.39
13.	53-Industries and Commerce	1.94	1.94
14.	44-Evaluation	0.26	0.26
15.	41-Labour	0.89	0.89
16.	29-Printing and Stationery	2.25	1.37
17.	36-Urban Development	72.70	12.55
	Total	280.17	67.38

It is evident from the above that funds were drawn to avoid lapse of budget grant in violation of rules and regulations.

2.3.5 Excess over provision 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 of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to ₹ 2011.58 crore for the years 1996-2009 was yet to be regularized (**Appendix 2.2**).

2.3.6 Excess over provision during 2009-10 requiring regularisation

Appendix 2.3 contains the summary of total excess in 24 grants and one appropriation amounting to ₹ 61.77 crore over authorization from the Consolidated Fund of the State during 2009-10 requiring regularization under Article 205 of the Constitution.

An expenditure aggregating ₹ 66.80 crore in four cases exceeded the approved provision by ₹ 15.11 crore and by more than 20 per cent of the total provision in each case. Details are given in **Table 2.6**.

Table 2.6: Statement of various grants/appropriations where Expenditure was more than ₹ 1 crore each or more than 20 per cent of the total provision

(Rupees in Crore)

Sl. No.	Grant No	Name of the Grant/Appropriation	Total Grant/Appropriation	Expenditure	Percentage of Excess Expenditure
(1)	(2)	(3)	(4)	(5)	(6)
Revenue (Voted)					
1.	64	Housing	29.92	37.81	26
2.	78	Information Technology & Technical Education Department	16.63	21.39	29
Capital (Voted)					
3.	22	Civil Supplies	1.75	3.21	84
4.	32	Higher Education	3.39	4.39	29
Total			51.69	66.80	

Government did not furnish any reason/explanation for the excess expenditure (December 2010) except under the following:-

- The excess expenditure under grant number 36 in respect of Urban Development Department was stated to be due to payment of Engineering Cell salary from Plan Fund.
- The excess expenditure in grant number 60 under Capital (Voted) was stated to be due to adjustment of material for Chan and Chenwatnyu village under Mon district against the funds released by the Government during 2007-08 and also due to emergency Operation and Maintenance expenditure out of NRDWP schemes.
- The excess expenditure incurred against grant number 10 under Revenue (Charged) was attributed to non-inclusion of additional funds provided by Finance Department and due to appointment of Contingency staff and major repairs of the staff and the pool vehicles.

2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating ₹ 97.36 crore obtained in 17 cases, ₹ 10 lakh or more in each case, during the year proved unnecessary as the expenditure did not come up

to the level of original provision as detailed in **Appendix 2.4**. In 12 cases, supplementary provision of ₹ 189.94 crore proved insufficient by ₹ one crore or above in each case leaving an aggregate uncovered excess expenditure of ₹ 58.74 crore (**Appendix 2.5**).

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 excessive or insufficient and resulted in savings of ₹ 772.82 crore in 124 sub-heads. The excess was ₹ 613.54 crore in 74 sub-heads as detailed in **Appendix 2.6**.

2.3.9 Unexplained re-appropriations

According to Budget Manual, reasons for the additional expenditure and the savings should be explained in the re-appropriation statement and specific expressions should be used and expressions such as “based on actual requirements”, “based on trend of expenditure”, etc., should be avoided. However, a scrutiny of re-appropriation orders issued by the Finance Department revealed that in respect of 54 items out of 80 (68 *per cent*) reasons for additional provision/withdrawal of provision in re-appropriation orders have not been mentioned.

2.3.10 Substantial surrenders

Substantial surrenders (the cases where more than 50 *per cent* of total provision was surrendered) were made in respect of 16 sub-heads on account of either non-implementation or slow implementation of schemes/programmes. Out of the total provision amounting to ₹ 443.89 crore in these 16 schemes, ₹ 351.85 crore (79 *per cent*) were surrendered, which included cent *per cent* surrender in one scheme (₹ 0.22 crore). The details of such cases are given in **Appendix 2.7**.

2.3.11 Surrender in excess of actual saving

In 5 cases, the amount surrendered (₹ 1 crore or more in each case) was in excess of actual savings indicating lack of or inadequate budgetary control in these departments. As against savings of ₹ 103.00 crore, the amount surrendered was ₹ 222.18 crore resulting in excess surrender of ₹ 119.18 crore. Details are given in **Appendix 2.8**. Departments did not furnish any reason/explanation regarding surrender in excess of actual savings.

2.3.12 Anticipated savings not surrendered

As per Budget Manual, 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 2009-10, there were, however, 12 grants in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in these cases was ₹ 98.09 crore (10 *per cent* of the total savings) (**Appendix 2.9**).

Similarly, out of total savings of ₹ 1085.40 crore an amount of ₹ 393.50 crore (36 *per cent* of total savings) were not surrendered, details of which are given in **Appendix 2.10**. Besides, in 16 cases (surrender of funds in excess of ₹ 10 crore), ₹ 727.01 crore

(**Appendix 2.11**) were surrendered on the last two working days of March 2010 indicating inadequate financial control. Thus, these funds could not be utilized for other developmental purposes.

2.3.13 Rush of expenditure

According to Rule 56 of GFR, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 7 sub-heads listed in **Appendix 2.12**, expenditure exceeding ₹ 10 crore and also more than 50 *per cent* of the total expenditure for the year was incurred in March 2010. **Appendix 2.13** also presents the major heads where more than 50 *per cent* expenditure was incurred either during the last quarter or during the last month of the financial year.

The uniform flow of expenditure is a primary requirement of budgetary control. **Appendix 2.13** reveals that during the year 2009-10 expenditure in the last quarter ranged between 50 *per cent* and cent *percent* of the total expenditure which is indicative of lack of effective financial control and violation of financial rules.

2.4 Non-reconciliation of Departmental figures

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

As per rule 309 of Central Treasury Rules, every drawing officer has to certify in each abstract contingent bill that detailed bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmission to the Accountant General (Accounts & Entitlement). The total amount of DCC bills received during the period 2007-2010 was only ₹ 11.13 crore against the amount of AC bills of ₹ 28.31 crore leading to an outstanding balance of DCC bills of ₹ 17.18 crore as on 31 March 2010. Year wise details are given in **Table 2.7**.

Table 2.7: Pendency in submission of detailed countersigned contingent bills against abstract contingent bills

Year	Amount of AC bills	Amount of DCC bills	DCC bills as percentage of AC bills	(Rupees in crore)
				Outstanding AC bills
2007-08	5.56	4.96	89.21	0.60
2008-09	12.62	1.95	15.45	10.67
2009-10	10.13	4.22	41.66	5.91
Total	28.31	11.13		17.18

Department-wise pending DCC bills for the year up to 2009-10 are detailed in **Appendix 2.14**.

Non submission of DCC bills for long periods after drawal of AC bills is fraught with the risk of misappropriation and therefore needs to be monitored closely.

2.5 Non-utilisation of fund

Information on un-utilized funds lying in bank account/Civil Deposit (CD) was called for from the departments, in reply Directorate of Soil and Water Conservation stated that an amount of ₹ 18.25 crore was received out of which an expenditure of ₹ 15.79 crore was incurred leaving an unspent balance of ₹ 2.46 crore which was kept in Current Account during 2009-10. Further, funds amounting to ₹ 2.28 crore was also kept in Civil Deposit as on 31 March 2010 against the scheme Rastriya Krishi Viksh Yajana and Special Plan Assistance to be implemented by Soil and water Conservation department.

2.6 Conclusion and Recommendations

There was saving of ₹ 1085.40 crore and excess expenditure of ₹ 62.17 crore. This excess expenditure together with an excess expenditure of ₹ 2011.58 crore pertaining to 1996-2009 require regularisation by the Legislature under Article 205 of the Constitution of India. A rush of expenditure was also noticed towards the end of the year. In respect of 7 major heads expenditure exceeding ₹ 10 crore and also more than 50 *per cent* of the total expenditure for the year was incurred in the last quarter of the year. The AC Bills amounting to ₹ 17.18 crore had not been adjusted for long periods and therefore was fraught with the risk of misappropriation.

Budgetary controls should be strengthened in all Government Departments particularly in the departments whose savings/excess persisted for last five years. Issuance of re-appropriation/surrender orders at the end of the year should be avoided. A close and rigorous monitoring mechanism should be put in place in the departments to ensure that DCC bills in respect of all outstanding AC bills are submitted by the DDOs within the specified period.