

Chapter 2

Financial Management and Budgetary Control

2.1 Introduction

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 by the Comptroller and Auditor General of India seeks to ascertain whether 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.

As per the State Budget Manual (SBM), the Finance Department is responsible for the preparation of the annual budget by obtaining from the various departments material on which to base its estimates. 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 by the prescribed dates. The Finance Department then consolidates the estimates and prepares the Detailed Estimates and Grants. The estimates of expenditure should be as accurate as possible. An avoidable excess in an estimate is as much a financial irregularity as an excess in the actual 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 SBM was last published in 1995. After fifteen years, in July 2010, the State Government entrusted the work of revision of SBM to a Private Limited Company for completion by 1 November 2011.

Deficiencies in management of budget and expenditure and violation of Budget manual noticed in audit have been discussed in the subsequent paragraphs.

2.2 Summary of Appropriation Accounts

The summarized position of actual expenditure during 2010-11 against 55 grants/appropriations was as given in **Table 2.1**:

Table 2.1: Actual Expenditure vis-à-vis Original/Supplementary provisions

(₹ in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Savings (-)/ Excess (+)
Voted	I Revenue	37,014.28	4,132.96	41,147.24	38,753.65	(-)2,393.59
	II Capital	8,450.47	638.31	9,088.78	5,997.57	(-)3,091.21
	III Loans and Advances	40.98	73.84	114.82	262.11	(+)147.29
Total Voted		45,505.73	4,845.11	50,350.84	45,013.33	(-)5,337.51
Charged	IV Revenue	7,484.96	19.71	7,504.67	7,443.46	(-) 61.21
	V Capital	-	0.15	0.15	0.14	(-) 0.01
	VI Public Debt- Repayment	3,312.10	5.32	3,317.42	3,317.24	(-) 0.18
Total Charged		10,797.06	25.18	10,822.24	10,760.84	(-) 61.40
Appropriation to Contingency Fund		-	-	-	-	-
Grand Total		56,302.79	4,870.29	61,173.08	55,774.17¹	(-)5,398.91

Source: Appropriation Accounts.

The overall saving of ₹ 5,398.91 crore was the result of saving of ₹ 5,418.71 crore in 47 grants and 39 appropriations under Revenue Section, 32 grants and four appropriations under Capital Section, offset by excess of ₹ 19.80 crore in two grants and two appropriations under Revenue Section and two grants under Capital Section (Given in **Table 2.9**). The excess in Loans and Advances was mainly under '6217-03 Integrated Development of Small and Medium Towns' due to conversion of capital expenditure (₹ 160.21 crore) into loan incurred for local bodies.

The saving/excess (Detailed Appropriation Accounts) was intimated (June 2011) to the Controlling Officers requesting them to explain the significant variations. Reminders were issued regularly to each department by the Principal Accountant General (Accounts and Entitlement) to furnish reasons for excesses/savings. Out of 691 sub-heads, explanations for variation in respect of 206 sub-heads (Saving: 138 sub-heads and Excess: 68 sub-heads) were not received (August 2011).

¹ The figure of actual expenditure exclude recoveries adjusted as reduction of expenditure under revenue (₹ 1,323.76 crore) and capital (₹ 747.09 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 13 cases, savings exceeded ₹ ten crore in each case and also by more than 20 per cent of total provision (*Appendix 2.1*). Against the total savings of ₹ 5,398.91 crore, savings of ₹ 4,654.13 crore (86.2 per cent)² occurred in 16 cases relating to 13 grants and one appropriation as indicated in **Table 2.2**.

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

(₹ in crore)

S. No.	No. and Name of the Grant/Appropriation	Original	Supplementary	Total	Actual Expenditure	Savings
Revenue-Voted						
1.	8-Revenue	563.23	-	563.23	392.45	170.78
2.	9-Forest	417.14	67.74	484.88	418.85	66.03
3.	15-Pensions and other Retirement Benefits	4,995.34	352.00	5,347.34	5,158.99	188.35
4.	16-Police	2,086.46	31.69	2,118.15	2,047.93	70.22
5.	24-Education, Art and Culture	9,765.17	171.87	9,937.04	9,679.62	257.42
6.	26-Medical and Public Health and Sanitation	2,806.94	0.01	2,806.95	2,445.18	361.77
7.	29-Urban Plan and Regional Development	1,051.22	278.74	1,329.96	1,151.77	178.19
8.	33-Social Security and Welfare	1,594.79	160.08	1,754.87	1,591.98	162.89
9.	34-Relief from Natural Calamities	1,015.27	460.17	1,475.44	1,115.07	360.37
10.	35-Miscellaneous Community and Economic Services	140.06	0.01	140.07	44.07	96.00
Capital-Voted						
11.	27-Drinking Water Scheme	1,734.65	99.50	1,834.15	1,128.90	705.25
12.	29-Urban Plan and Regional Development	897.16	64.47	961.63	692.56	269.07
13.	35-Miscellaneous Community and Economic Services	553.22	Negligible Amount	553.22	55.12	498.10
14.	46-Irrigation	883.45	Negligible Amount	883.45	701.78	181.67
15.	48-Power	2,326.00	-	2,326.00	1,296.00	1,030.00
Revenue-Charged						
16.	Interest Payments	7,427.02	Negligible Amount	7,427.02	7,369.00	58.02
Total		38,257.12	1,686.28	39,943.40	35,289.27	4,654.13

Source: Appropriation Accounts

² Exceeding ₹ 50 crore in each case.

Savings exceeding ₹ 100 crore in each case are discussed as under:

- **Grant number 8-“Revenue”**

Savings (₹ 170.78 crore) under the grant occurred mainly in '2029-Land Revenue'. The savings under Land Records-District expenditure (₹ 42.46 crore) was mainly due to posts remaining vacant in various cadres. This was against the provisions contained in Para 53(7) (i) and (ii) of SBM. Besides, savings in Modernisation of Land Settlement Department (₹ 99.70 crore) were mainly due to non-posting of state level consultant in the department resulting in non-conducting of survey work under National Land Record Modernisation Programme.

- **Grant number 15-“Pensions and other Retirement Benefits”**

Savings (₹ 188.35 crore) under the grant occurred mainly in '2071-Pensions and Other Retirement Benefits-Superannuation and Retirement Allowances-Pensions to State employees' due to non-finalisation of pension cases received during the year because employees of the department were deputed in census work.

- **Grant number 24-“Education, Art and Culture”**

Savings (₹ 257.42 crore) under the grant occurred mainly in '2202-General Education-Secondary Education-Government Secondary Schools-Boys School' due to non-payment of arrears of Sixth Pay Commission and posts remaining vacant. This was against the provisions contained in Para 53(7) (i) and (ii) of SBM.

- **Grant number 26-“Medical and Public Health and Sanitation”**

Savings (₹ 361.77 crore) under the grant occurred mainly in '2210-Medical and Public Health'. The savings under General Hospital (₹ 85.91 crore), Primary Health Centres in rural areas (₹ 94.81 crore), Ayurveda-Hospital and Dispensaries (₹ 69.88 crore), Allopathy-Medical College Jaipur (₹ 13.77 crore), Medical College Bikaner (₹ 12.65 crore), Medical College Udaipur (₹ 11.15 crore), Medical College Jodhpur (₹ 12.03 crore) and Health Development Programme (State Level) of External Aided Scheme for prevention and control of diseases (₹ 16.66 crore) were mainly due to posts remaining vacant and reduction in plan ceiling. Besides, savings in Conventional Contraceptives (₹ 9.25 crore) under '2211-Family Welfare' was due to non-receipt of material in time from Government of India (GoI). Reasons for final savings were not intimated by the Government (August 2011).

- **Grant number 29-“Urban Plan and Regional Development”**

Savings (₹ 178.19 crore) under the grant occurred mainly in '2217-Urban Development-Assistance to Municipalities/Municipal Councils-Urban Integrated Development of Small and Medium Towns'. Reasons for savings were not intimated by the Government (August 2011).

- **Grant number 33-“Social Security and Welfare”**

Savings (₹ 162.89 crore) under the grant occurred mainly in ‘2236-Nutrition’. The savings occurred under Nutrition Crash Programme and Integrated Child Development Scheme due to non-receipt of funds from GoI in anticipation of which the GoR made the provision in the schemes. Detailed reasons for savings however were not intimated by the Government (August 2011).

- **Grant number 34-“Relief from Natural Calamities”**

Savings (₹ 360.37 crore) under the grant occurred mainly in ‘2245-Relief on Account of Natural Calamities-State Disaster Response Fund’ due to making provision in anticipation of second instalment on account of State Disaster Response Fund from the GoI and State share which was not released.

- **Grant number 27-“Drinking Water Scheme” (Capital)**

Savings (₹ 705.25 crore) under the grant occurred mainly in ‘4215-Capital Outlay on Water Supply and Sanitation’. The savings under General Urban Water Supply Schemes (₹ 323.29 crore), Rural Water Supply (₹ 179.34 crore) and Suspense-Stock (₹ 287.03 crore) mainly due to slow progress of works. Reasons for final savings were not intimated by the Government (August 2011).

- **Grant number 29-“Urban Plan and Regional Development”(Capital)**

Savings (₹ 269.07 crore) under the grant occurred mainly in ‘4217-Capital Outlay on Urban Development-Integrated Development of Small and Medium Towns-Development work through Local Self Government Department’. Reasons for savings were not intimated by the Government (August 2011).

- **Grant number 35-“Miscellaneous Community and Economic Services” (Capital)**

Savings (₹ 498.10 crore) under the grant occurred mainly in ‘4047-Capital Outlay on Other Fiscal Services-Transfer to Rajasthan State Investment Fund ’ were due to non-investment in Rajasthan State Investment Fund.

- **Grant number 46-“Irrigation” (Capital)**

Savings (₹ 181.67 crore) under the grant occurred mainly in ‘4700-Capital Outlay on Major Irrigation’ in Narmada Project (Commercial)-Accelerated Irrigation Benefit Programme (₹ 84.03 crore) and General-Rajasthan Water Sector Restructuring Project (₹ 46 crore) due to less execution of major works. Besides, savings under 4702-Capital Outlay on Minor Irrigation-Restoration of Minor Irrigation Schemes (JICA) (₹ 59.41 crore) were also due to less execution of works.

• Grant number 48–“Power” (Capital)

Savings (₹ 1,030 crore) under the grant occurred mainly in '4801-Capital Outlay on Power Projects-Investment in Rajasthan Rajya Vidyut Utpadan Nigam Limited' were due to reduction in plan ceiling.

2.3.2 Persistent savings

In seven cases, there were persistent savings of more than ₹ one crore in each case and also by more than 10 *per cent* of the total grant (Table 2.3) during the last three years.

Table 2.3: List of Grants indicating persistent savings during 2008-11

(₹ in crore)

No. and Name of the Grant	Amount of savings		
	2008-09	2009-10	2010-11
Capital-Voted			
09-Forest	35.17	59.30	49.44
19-Public Works	17.15	47.82	22.33
23-Labour and Employment	1.68	1.28	3.83
33-Social Security and Welfare	79.81	10.93	7.95
35-Miscellaneous Community and Economic Services	236.82	708.14	498.10
37-Agriculture	41.03	92.15	36.38
46-Irrigation	230.19	185.79	181.67

Source: Appropriation Accounts

In Grant No. 09, the persistent savings ranged between ₹ 35.17 crore and ₹ 59.30 crore of the total budget during 2008-11. The main reasons for saving were reduction in plan ceiling under different projects for Forest/CAMPA and Development of *Kevladev* National Park during 2008-11.

In Grant No. 19, the persistent savings ranged between ₹ 17.15 crore and ₹ 47.82 crore of the total budget during 2008-11. The main reasons for saving were slow progress of works under various construction projects of Public Works Department.

In Grant No. 23, the persistent savings ranged between ₹ 1.28 crore and ₹ 3.83 crore of the total budget during 2008-11. The savings during 2008-09 and 2009-10 were mainly under Training and under High level Industrial Training Institute due to reduction in plan ceiling. Besides, in 2010-11 it was due to non-receipt of sufficient tenders, less receipt of material from the firms and some of the materials supplied by the firm were rejected due to technical reasons under Vocational Training Improvement Project.

In Grant No. 33, the persistent savings ranged between ₹ 7.95 crore and ₹ 79.81 crore of the total budget during 2008-11. The savings in 2008-09 was mainly due to reduction in plan ceiling and abolition of *Devnarain Yojana*. Besides, the savings in 2009-10 and 2010-11 were mainly due to reduction in plan ceiling.

In Grant No. 35, the persistent savings ranged between ₹ 236.82 crore and ₹ 708.14 crore of the total budget during 2008-11. The savings in 2008-09 and 2009-10 were mainly due to deposit of unutilised amount of “Rajasthan State Investment Fund” from Reserve Fund to Capital head. Besides, in 2010-11 the savings were due to non-investment in “Rajasthan State Investment Fund” (₹ 492.32 crore).

In Grant No. 37, the persistent savings ranged between ₹ 36.38 crore and ₹ 92.15 crore of the total budget during 2008-11. The main reasons for saving were reduction in plan ceiling.

In Grant No. 46, the persistent savings ranged between ₹ 181.67 crore and ₹ 230.19 crore of the total budget during 2008-11. The savings in 2008-10 were due to less execution of works under Indira Gandhi Nahar Project (Commercial), Narmada Project (Commercial), Rajasthan Water Sector Restructuring Project and Restoration of Minor Irrigation Schemes owing to reduction in annual plan outlay. Besides, in the year 2010-11 savings were due to less execution of works under *Narbada* Project (Commercial)-Accelerated Irrigation Benefit Programme, Rajasthan Water Sector Restructuring Project, *Gardada* Project (Commercial) and Restoration of Minor Irrigation Schemes (JICA).

2.3.2.1 A detailed review of persistent savings under Grants No. 26, 30 and 47 was undertaken. Major audit findings are discussed below:

Grant No. 26- Medical and Public Health and Sanitation

Medical and Health Department

During 2008-11, in three sub-heads, there were persistent savings ranging between ₹ 0.28 crore and ₹ 95 crore being four to 82 *per cent* of the Budget provision (Non-plan, Plan and Centrally Sponsored Schemes) as detailed in **Table 2.4**.

Table 2.4: List of Major heads indicating persistent savings during 2008-11

(₹ in crore)							
S. No.	Head	Year	NP/P/ CSS	Budget Provision	Expenditure	Savings	Percentage of Savings
1.	2210-Medical and Public Health 03-Rural Health Services-Allopathy 103-Primary Health Centers 01-Primary Health Centre	2008-09	NP	214.01	206.93	7.08	
			Plan	10.18	8.00	2.18	
			Total	224.19*	214.93	9.26	4.1
		2009-10	NP	279.48	243.16	36.32	
			Plan	15.53	11.30	4.23	
			Total	295.01	254.46	40.55	13.7
		2010-11	NP	345.77	252.24	93.53	
			Plan	13.56	12.28	1.28	
			Total	359.33	264.52	94.81	26.4
2.	2210-Medical and Public Health 06-Public Health 101-Prevention and Control of Diseases 04-National TB Control Programme	2008-09	NP	1.25	0.88	0.37	
			Plan	0.25	0.17	0.08	
			CSS	0.25	-	0.25	
			Total	1.75	1.05	0.70	40.0
		2009-10	Plan	0.20	0.17	0.03	
			CSS	0.25	-	0.25	
			Total	0.45	0.17	0.28	62.2

S. No.	Head	Year	NP/P/ CSS	Budget Provision	Expenditure	Savings	Percentage of Savings
		2010-11	Plan	0.18	0.12	0.06	72.1
			CSS	0.25	-	0.25	
			Total	0.43	0.12	0.31	
3.	2211-Family Welfare 200-Other Services and Supplies 01-Conventional Contraceptives	2008-09	CSS	14.00	4.20	9.80	70.0
			Total	14.00	4.20	9.80	
		2009-10	CSS	14.00	2.51	11.49	82.1
			Total	14.00	2.51	11.49	
2010-11	CSS	14.00	4.75	9.25	66.1		
	Total	14.00	4.75	9.25			

* Including supplementary provision of ₹ 29.30 crore.

Source: Detailed Appropriation Accounts

Analysis of the above position reveals that significant funds meant for different schemes were kept unutilised continuously during 2008-11 by the Departments which also did not reduce its demand in subsequent years with a view to avoid huge savings in future. Further, in 2010-11, under sub-head 2210-03-103-01 Primary Health Centre (Non-plan), against original provision (₹ 271 crore) approved by the Budget Finalisation Committee (BFC), the Finance Department allotted ₹ 346 crore (Non-plan) without any additional demand by the Department for ₹ 75 crore.

Grant No. 30-Tribal Area Development

Tribal Area Development Department

In five sub-heads (Plan), there were persistent savings ranging between ₹ 0.10 crore and ₹ 3.63 crore and by 18 per cent to 100 per cent of the original provision as detailed in **Table 2.5**.

Table 2.5: List of Major heads indicating persistent savings during 2008-11

(₹ in crore)							
S. No.	Head of Account	Year	Original Provision	Expenditure	Savings	Percentage of savings	
1	2210- Medical and Public Health 01- Urban Health Services-Allopathy 796-Tribal Area Sub-Plan 09-Maharashtra pattern based schemes in Tribal Areas 04-Distribution of Iodine salt in Tribal Sub-plan Area	2008-09	1.59	0.68	0.91	57.2	
		2009-10	1.14	0.75	0.39	34.2	
		2010-11	1.39	0.08	1.31	94.2	
2	2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes 02-Welfare of Scheduled Tribes 796-Tribal Area Sub-Plan (Through the Commissioner, Tribal Area Development) (SCA) 09-Programme under Special Plan for Tribal Area Development (Maharashtra Pattern) 12-Assistance for SAHARIA Development	2008-09	5.77	3.46	2.31	40.0	
		2009-10	4.54	3.31	1.23	27.1	
		2010-11	7.30	5.29	2.01	27.5	

S. No.	Head of Account	Year	Original Provision	Expenditure	Savings	Percentage of savings
3	2230-Labour and Employment 03-Training 796-Tribal Area Sub-plan 05-Course for Tribal Youths (Maharashtra Pattern)	2008-09	0.36	0.25	0.11	30.6
		2009-10	0.35	0.25	0.10	28.6
		2010-11	1.43	0.26	1.17	81.8
4	2236-Nutrition 02-Distribution of Nutritious Food and Beverages 796-Tribal Area Sub-Plan 01- Though the Integrated Child Development Services Department 07- <i>Ayaska Balika Yojana</i>	2008-09	3.64	2.14	1.50	41.2
		2009-10	2.93	1.73	1.20	41.0
		2010-11	3.63	-	3.63	100.0
5	4210-Capital Outlay on Medical and Public Health 02-Rural Health Services 796-Tribal Area Sub-Plan 01-Primary Health Centre 90-Construction Works	2008-09	1.59	1.01	0.58	36.5
		2009-10	0.64	0.52	0.12	18.8
		2010-11	1.04	0.27	0.77	74.0

Source: Detailed Appropriation Accounts

Scrutiny of the records of the Tribal Area Development Department revealed that the savings were due to non-receipt of food grains from GoI, non-purchase of iodine salt, drop out of students and non-starting of Industrial Training Institute, less demand of hostels and disputed land for hostels. This was indicative of lack of proper planning which led to persistent savings.

Grant No. 47-Tourism

Tourism Department

The position of estimation and expenditure during 2008-11 under the head 5452-80-800-01-‘Development of Tourist Places’ (Plan) of Grant No. 47-Tourism is given in **Table 2.6**.

Table 2.6: Position of estimates, expenditure and savings during 2008-11

(₹ in crore)

Year	Original provision	Expenditure		Saving	
		As per Appropriation Account	As per Department's record	As per Appropriation Account	As per Department's record
2008-09	2.51	2.32	2.50	0.19	0.01
2009-10	5.96	2.98	3.88	2.98	2.07
2010-11	5.00	1.86	4.00	3.14	1.00

Source: Appropriation Accounts and Tourism Department, GoR.

Above table indicates that during 2008-11, the Department irregularly credited its recoveries of previous years³ and exhibited reduced expenditure by ₹ 0.18 crore (2008-09), ₹ 0.90 crore (2009-10) and ₹ 2.14 crore (2010-11) in its accounts.

³ 2006-08 (₹ 0.18 crore), 1997 to 2005 and 2007-08 (₹ 0.90 crore) and 1994-95, 1995-96, 2004-05 (₹ 2.14 crore).

2.3.3 Excess expenditure

In 11 cases, the programme delivery Departments exceeded the expenditure limits set by the Legislature through grants. Such excesses are irregular and they require retrospective Legislative sanction through appropriate vote. In these 11 cases, excess expenditure of ₹ 28.72 crore was more than ₹ one crore and also by more than 10 *per cent* of the total provisions in each case (*Appendix 2.2*). In Grant number 27-“Drinking Water Scheme” overall excess expenditure⁴ has been observed consistently for the last four years in the Revenue-Voted section. The excess expenditure occurred persistently mainly under the following heads of the grant (*Table 2.7*).

Table 2.7: List of Major heads indicating persistent excess expenditure during 2007-11

(₹ in crore)

S. No.	Head of Account	Amount of excess			
		2007-08	2008-09	2009-10	2010-11
Revenue-Voted					
1.	2215-01-102-01-Other Rural Water Supply Schemes	8.62	58.54	24.64	18.75
2.	2215-01-101-12-Other Urban Water Supply Schemes	0.57	13.41	4.16	0.05

Source: Appropriation Accounts

Inadequate provision of funds and consequent excess expenditure indicates weak budgeting and expenditure controls. In response to Audit Paras in previous Audit Reports for the year 2007-08, 2008-09 and 2009-10 that excess expenditure was due to excess payment of electric charges and increased digging of tubewells/handpumps in urban and rural areas. The reasons for excess in 2010-11 were not intimated by the Government (August 2011).

2.3.4 Excess over provisions relating to previous years (2007-10) requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation 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 ₹ 499.25 crore for the years 2007-10 was yet to be regularised (31 August 2011). The year-wise amount of excess expenditure awaiting regularisation for grants/appropriations is summarized in *Table 2.8*. Grant/Appropriation-wise details of excess expenditure requiring regularisation are given in *Appendix 2.3*.

⁴ 2007-08: ₹ 8.72 crore, 2008-09: ₹ 91.35 crore, 2009-10: ₹ 33.96 crore, 2010-11: ₹ 15.70 crore

Table 2.8: Excess over provisions relating to previous years requiring regularisation

(₹ in crore)

Year	Number of Appropriations and Grants	Amount of excess over provision	Status of Regularization
2007-08	8	19.50	Not regularized by the State Legislature.
2008-09	16	444.03	
2009-10	5	35.72	
Total	29	499.25	

Source: Appropriation Accounts

2.3.5 Excess over provisions during 2010-11 requiring regularisation

Table 2.9 depicts the summary of total excess in six grants amounting to ₹ 19.80 crore over authorization from the Consolidated Fund of State during 2010-11 and requires regularisation under Article 205 of the Constitution.

Table 2.9: Excess over provisions requiring regularisation during 2010-11

(₹ in crore)

S. No.	Number and name of grant/appropriation	Total grant/ appropriation	Expenditure	Excess
Voted Grants –Revenue				
1.	27 Drinking Water Scheme	1,604.85	1,620.55	15.70
2.	28 Special Programmes for Rural Development	74.03	75.93	1.90
Voted Grants –Capital				
3.	20 Housing	6.73	8.89	2.16
4.	38 Minor Irrigation and Soil Conservation	19.89	19.90	0.01
Total Voted		1,705.50	1,725.27	19.77
Charged Grants- Revenue				
5.	13 Excise	0.28	0.28	- ⁵
6.	15 Pensions and Other Retirement Benefits	1.20	1.23	0.03
Total Charged		1.48	1.51	0.03
Grand Total		1,706.98	1,726.78	19.80

Source: Appropriation Accounts

2.3.6 Unnecessary/Inadequate supplementary provision

Para 183 of SBM stipulates that if during the currency of a financial year, the amount provided for any purpose is found to be inadequate or a need arises for an expenditure on some object or service for which no provision has been made, a supplementary provision can be sanctioned by the Legislature. Supplementary provision aggregating to ₹ 557.73 crore obtained in 11 cases, amounting to ₹ one crore 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*. Important cases where supplementary provisions proved unnecessary/excessive are summarised below:

⁵ Only ₹ 54,783.

In Grant No. 4-District Administration, supplementary provision of ₹ 8.92 crore was obtained in District Administration and Other Establishments mainly to meet expenditure on payment of arrears and dearness allowance at increased rate proved unnecessary in view of saving of ₹ 30.80 crore under the grant which was due to posts remaining vacant under various cadres. This was against the provisions contained in Para 53(7) (i) and (ii) of SBM.

In Grant No. 13-Excise, supplementary provision of ₹ 1.50 crore was obtained in other establishment mainly to meet expenditure on office expenses was unnecessary in view of anticipated saving of ₹ 1.37 crore reasons for which have not been intimated (August 2011).

In Grant No. 19-Public Works, supplementary provisions of ₹ 3.12 crore obtained in Execution to meet expenditure on salaries was unnecessary in view of anticipated saving of ₹ 12.88 crore. Besides, supplementary provisions of ₹ 3.39 crore obtained by the Department of Personnel for maintenance and repairs proved excessive in view of saving of ₹ 1.50 crore.

In Grant No. 33-Social Security and Welfare, supplementary provision of ₹ 23 crore obtained for implementation of new scheme as per announcement made in budget speech for post-metric scholarships for other backward classes was unnecessary in view of anticipated saving of ₹ 9.95 crore which was due to less receipt of application from beneficiaries. Besides, supplementary provision of ₹ 135.12 crore made for pension to old aged persons was excessive in view of saving of ₹ 28.35 crore due to non-sanction of pension to all beneficiaries.

In two grants, supplementary provision of ₹ 68.32 crore proved insufficient by more than ₹ one crore in each case leaving an aggregate uncovered excess expenditure of ₹ 17.60 crore as shown in **Table 2.10**.

Table 2.10: Grants where supplementary provisions was insufficient during 2010-11

(₹ in crore)

S. No.	Number and name of the Grant	Original Provision	Supplementary Provision	Total Provision	Expenditure	Excess
Revenue-Voted						
1.	27-Drinking Water Scheme	1,563.12	41.73	1,604.85	1,620.55	15.70
2.	28-Special Programmes for Rural Development	47.44	26.59	74.03	75.93	1.90
	Total	1,610.56	68.32	1,678.88	1,696.48	17.60

Source: Appropriation Accounts

Important cases where supplementary provisions proved insufficient/inadequate are summarised below:

In Grant No. 27-Drinking Water Scheme, though supplementary provision of ₹ 20 crore was obtained under minor head 2215-01-102-01 "Other Rural Water Supply Schemes", however, there was excess expenditure of ₹ 18.75 crore, reasons for which have not been intimated by the State Government (August 2011).

In Grant No. 28-Special Programmes for Rural Development, there was excess expenditure of ₹ 1.90 crore under 2515-800-03-01 "Headquarters under District Rural Development Agency Administration" during 2010-11, reasons for which have not been intimated (August 2011).

Thus, supplementary provisions were made without assessing the actual requirements under the sub-heads.

2.3.7 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, unnecessary or insufficient resulting in excess of ₹ 53.27 crore in 114 sub-heads and savings of ₹ 517.49 crore in 245 sub-heads. The re-appropriation and final excess/saving was more than ₹ one crore in 51 sub-heads as detailed in *Appendix 2.5*. Out of these cases, there was excessive re-appropriation in 26 heads of account, insufficient re-appropriation in 19 heads of account and unnecessary re-appropriation in six heads of account. It indicates that the estimates were not properly assessed, as even after the withdrawal/augmentation of funds through re-appropriation there were final savings/excesses in the grants.

2.3.8 Unexplained re-appropriations

According to Paragraph 189 of State Budget Manual, reasons for the additional expenditure and the savings should be explained in the re-appropriation statement and vague 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 out of 1999 sub-heads, the explanations have been received in respect of 868 sub-heads for additional provision/withdrawal of provision, in which 135 sub-heads explanations were of general nature like 'actual requirement', 'based on latest assessment' and 'restriction of expenditure'. *Besides, in 1131 sub-heads no specific explanation was given. This also goes against the principle of transparency stipulated in Section 4 of Fiscal Responsibility and Budget Management Act.*

2.3.9 Anticipated savings not surrendered

As per paragraph 138 of State 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.

During 2010-11, out of total saving of ₹ 5,418.71 crore an amount of ₹ 4,628.13 crore (85.4 *per cent*) was surrendered on the last working day of financial year indicating lack of realistic financial planning and weak financial control which resulted in deprivation of funds for other development purposes.

Out of total savings of ₹ 2,608.28 crore under 17 grants (savings of ₹ one crore and above) amount aggregating to ₹ 792.40 crore (30.4 *per cent* of total

savings) were not surrendered, details are given in *Appendix 2.6*. Besides, in 29 cases, (surrender of funds in excess of ₹ 20 crore in each case), ₹ 3,922.88 crore were surrendered on the last working day of March 2011 (*Appendix 2.7*). Departments did not furnish (August 2011) any reason/explanation regarding surrender of savings in excess of ₹ 20 crore on the last working day of financial year.

2.3.10 Surrender in excess of actual savings

In two grants, the amount surrendered (₹ 50 lakh or more in each grant) was in excess of actual savings indicating lack of inadequate budgetary control in these departments. As against savings of ₹ 278.86 crore, the amount surrendered was ₹ 281.43 crore resulting in excess surrender of ₹ 2.57 crore⁶. Departments did not furnish any reasons/explanations regarding surrender in excess of actual savings (August 2011).

2.3.11 Rush of expenditure

According to paragraph 139 of State Budget Manual, rush of expenditure in the closing month of the financial year should be avoided. During 2010-11, 16 *per cent* of total expenditure was incurred in the month of March. However, in respect of 48 sub-heads listed in *Appendix 2.8*, expenditure (exceeding ₹ ten crore and also more than 50 *per cent* of the total expenditure in each case) of ₹ 2,586.23 crore was incurred in last quarter of the financial year, which was 80 *per cent* of total expenditure. Of this ₹ 2,373.56 crore (73 *per cent*) was spent in March 2011.

The matter was brought to the notice of Government (October 2011), reply was awaited.

2.4 Advances from Contingency Fund

The Contingency Fund of the State has been established under the Act in terms of provisions of Article 267 (2) and 283 (2) of the Constitution of India. Advances from the Fund are permissible only for meeting expenditure of an unforeseen and emergent character, postponement of which, till its authorisation by the Legislature, would be undesirable. Advances from Rajasthan Contingency Fund may be given for meeting expenditure in the circumstances where (i) provision could not be made in annual/supplementary budget, (ii) expenditure could not be foreseen and (iii) the expenditure cannot be postponed till vote of Legislature is obtained. The fund is in the nature of an imprest and has a corpus of ₹ 200 crore.

State Budget Manual envisaged that advance from Contingency Fund should not be applied for unless and until all the preliminaries such as administrative approval, technical sanction, selection of site, etc. are completed and there is a reasonable prospect of the advance asked for being fully utilised before its recoupment through supplementary grant and that all applications for advance

⁶ Grant No.13: ₹ 0.59 crore and Grant No.24: ₹ 1.98 crore.

from the fund shall be made to the Secretary to the Government of Rajasthan (GoR), Finance Department in Form GA-31 giving *interalia* the details with brief particulars of the additional expenditure involved, circumstances in which provision could not be included in the Budget and why its postponement is not possible etc.

During 2010-11, 10 sanctions aggregating to ₹ 191.86 crore were issued under nine Major heads by the State Government for grant of advance from the Contingency Fund. Of this, one sanction issued by the Finance Department GoR in February 2011 (₹ 3.30 crore) to the Department of Panchayati Raj for preparation of Master Plan of villages was cancelled on 3 March 2011 and two sanctions issued by the Finance Department to (i) Department of Law and Legal (Judiciary) for ₹ 16.12 crore for scheme under XIII-FC in February 2011 and (ii) Department of Forest for ₹ 11.04 crore for New Services in February 2011, remained partly operated to the extent of ₹ 7.31 crore and ₹ 3.83 crore respectively.

Scrutiny of the sanctions revealed that:

(i) Departments did not give any information/certificate regarding completion of preliminaries with the application form as envisaged in the SBM. However, Finance Department sanctioned the advances without ensuring the fulfillment of this requirement by obtaining a certificate in this regard or otherwise. As a result in following two cases either amount advanced remained unutilised or sanction of advance subsequently cancelled:

- An advance of ₹ 0.50 crore was sanctioned (January 2011) to Administrative Reforms Department. The amount was transferred to Personal Deposit Account of Rajasthan State Road Development and Construction Corporation Limited (RSRDC) as advance for civil works of Rajasthan Information Center building. It was observed that estimate of the building was still to be finalised (May 2011).

- An amount of ₹ 3.30 crore was sanctioned (February 2011) to Panchayati Raj Department for preparation of Master Plan of villages by the Town Planning Department. However, the sanction was subsequently cancelled (3 March 2011) for want of sanction of the Finance Department which was required as the estimated cost of the work was beyond delegated financial powers of the Town Planning Department.

(ii) An advance of ₹ 1.50 crore was sanctioned (October 2010) to the Rajasthan Small Industries Corporation Limited (RSIC) for raising its share capital considering it as new service item. Audit observed that RSIC initially submitted (October 2009) proposals to Industries Department for raising its share capital. There upon, RSIC was directed to submit the proposals at the time of revised budget estimate 2009-10. However, RSIC instead of demanding funds through revised budget proposals 2009-10 or budget estimates 2010-11 again submitted proposals in August 2010 on which the above advance was sanctioned. This indicates that the expenditure was not of urgent/unforeseen nature.

(iii) Advances of ₹ 27.16 crore from Contingency Fund for various schemes under recommendations of XIII-FC for Law and Legal Department (₹ 16.12 crore) and Forest Department (₹ 11.04 crore) were sanctioned on 03 and 11 February 2011 respectively. It was, however, observed that an expenditure of ₹ 16.02 crore (Law and Legal Department: ₹ 8.81 crore and Forest Department: ₹ 7.21 crore) only was incurred upto March 2011 indicating that the advances from Contingency Fund were sanctioned without urgent requirement.

The matter was brought to the notice of Government (September 2011), reply was awaited (October 2011).

2.5 Outcome of review of selected grants

A review of receipts and expenditure of Grant No. 27-Drinking Water Scheme for the period 2007-11 was undertaken. Major irregularities noticed are summarised below:

Public Health Engineering Department

- The status of original budget estimates approved by the Budget Finalisation Committee (BFC), supplementary provision, final allotment and actual expenditure there against for the years 2007-11 is given in **Table 2.11**.

Table 2.11: Summarised position of actual expenditure vis-à-vis original/supplementary provision during 2007-11.

(₹ in crore)								
Head of Account	Year	Original Provision	Supplementary	Total Provision	Expenditure	Excess (+)/ Saving (-)	Percentage of Excess/Saving	Surrender
2215-Water Supply and Sanitation	2007-08	1,099.89	33.41	1,133.30	1,142.02	(+) 8.72	0.77	3.21
	2008-09	1,189.84	125.34	1,315.18	1,406.53	(+) 91.35	6.95	0.50
	2009-10	1,506.26	36.97	1,543.23	1,577.19	(+) 33.96	2.20	-
	2010-11	1,563.12	41.73	1,604.85	1,620.55	(+) 15.70	0.98	-
TOTAL		5,359.11	237.45	5,596.56	5,746.29	(+) 149.73	-	3.71
4215-Capital outlay on Water Supply and Sanitation	2007-08	2,010.86	624.13	2,634.99	2,284.14	(-) 350.85	13.31	350.45
	2008-09	2,651.88	69.00	2,720.88	2,498.05	(-)222.83	8.19	170.34
	2009-10	3,126.31	Negligible Amount	3,126.31	2,054.87	(-) 1,071.44	34.27	900.48
	2010-11	1,734.65	99.50	1,834.15	1,128.90	(-) 705.25	38.45	424.01
TOTAL		9,523.70	792.63	10,316.33	7,965.96	(-) 2,350.37	-	1,845.28

Source: Appropriation Accounts

- The actual expenditure was less than the original provision under Capital heads during 2008-11. Hence, obtaining supplementary provision was not justified. Under Revenue head there was excess expenditure during all the four years (2007-11), which indicates that estimation even at the supplementary stage was inadequate.

- During 2007-11, total allotment of ₹ 210 crore in 17 schemes was surrendered (₹ 202.47 crore) and remaining amount (₹ 7.53 crore) lapsed (**Appendix 2.9**) due to delay in finalisation of tender, delay in submission of final bills and non-commencement of work due to public opposition during 2007-10. No reasons were furnished for the year 2010-11.

- In five sub-heads⁷ during last three years (2008-09 to 2010-11) there was persistent savings of more than ₹ one crore in each case and also 15 *per cent* or more of total provision which ranged between ₹ 2.25 crore and ₹ 287.03 crore (**Appendix 2.10**) due to delay in finalisation of tender, booking of expenditure on material (pipe) directly to the schemes instead of Suspense-Stock and release of funds by the GoI directly in the bank accounts of the department, non-receipt of Utilisation Certificate from district councils, non-requirement of funds for Bisalpur Jaipur and Kalikhar-Jhalawar Water Supply Schemes during 2008-10. No reasons were furnished for the year 2010-11.

The Ministry of Rural Development, Government of India released (March 2008) Central grant of ₹ 18.20 crore to State Sanitation and Water Mission (SSWM) for tackling fluoride effected habitations under Revised Sub-Mission Programme (Quality) of National Drinking Water Mission. The grant was to be utilised by March 2010, but remained unutilised and was irregularly deposited in the Receipt Head 0215-02-800-other receipt.

The matter was brought to the notice of Government (September 2011), reply was awaited (October 2011).

2.6 Budget Formulation and Budgetary Control

A review of budget formulation and budgetary control in respect of Grant No. 36 "Co-operation" was undertaken. Major audit findings are discussed below:

Co-operative Department

In three sub-heads, the Department exceeded the original budget provision by 84 to 103 *per cent* as details given in **Table 2.12**.

⁷ (i) 4215-01-101-01-12 Water Supply to Jaipur from Bisalpur Project (JBIC).
(ii) 4215-01-102-01-29 Kalikhar-Jhalawar Water Supply Scheme.
(iii) 4215-01-102-01-30 Kolayat (Nokha) Water Supply Scheme.
(iv) 4215-01-799-01 Stock.
(v) 4215-02-106-02 Complete Cleaning Expedition.

Table 2.12: List of Major heads indicating persistent excess during 2009-11

(₹ in crore)						
S. No	Head	Year	Original Provision	Actual Expenditure	Excess Expenditure	Percentage of excess
1.	2425-107-20 Assistance to Co-operative institutions for interest payments	2010-11	- ⁸	29.82	29.82	100
2.	2425-107-21 Assistance to Primary Co-operative Credit Institutions for re-construction	2009-10	5.00	10.16	5.16	103
		2010-11	5.88	10.85	4.97	84
3.	4425-108-09 Investment in Spin Fed	2009-10	- ⁹	10.13	10.13	100
		2010-11	- ⁹	17.43	17.43	100

Source: Detailed Appropriation Accounts

Audit observed that though the Chief Minister (CM) announced (March 2010) in his Budget speech, 2010-11, a provision of ₹ 30 crore for assistance to cooperative institutions for interest payment, token provision was made in the budget. Besides, in two sub-heads (Sl. No. 2 and 3 of table) adequate provision in original budget during 2010-11 was not kept considering actual expenditure of 2009-10.

- Similarly the CM announced (March 2010) extension of Integrated Co-operative Development Project (CSS) in 11 districts in his budget speech according to which a total provision of ₹ 16.80 crore was to be made under head 2425-108-07-Assistance for Macro Co-operative Development. However, as the Department sent proposals to GoI only in December 2010 for approval, a sum of ₹ 7.91 crore had to be surrendered for want of the requisite approval from GoI.

Besides, in two heads (4425-108-07-Investment for Integrated Co-operative Development and 6425-108-04-Loans for planning Macro Co-operative Societies), entire supplementary provisions of ₹ 14.50 crore and ₹ 7.90 crore were surrendered during 2010-11 due to delay in sending proposals of the scheme to GoI.

- In sub-head 6425-107-03-02-Debenture of special scheme of ARC there were persistent savings ranging between seven and 58 per cent during 2008-11. The Department did not revise the budget provisions as per the actuals pertaining to these years.

The matter was brought to the notice of Government (September 2011), reply was awaited (October 2011).

⁸ only ₹ 1000.

⁹ only ₹ 2000.

2.7 Expenditure on New Services without approval of the Legislature

The expression “New Service” occurs in Article 115(1)(a) and 205(1)(a) of Constitution of India. Item No. 21 of Para 16 of SBM defines New Service as a new policy decision (not brought to the Legislature’s notice earlier) including a new activity of form of investment. Further, large expenditure exceeding ₹ five lakh or 20 *per cent* of the existing budget provision under sub-head or, where there is no sub-head under a Minor head, whichever is more, arising out of extension of an existing activity shall also be treated as New Service. Expenditure on ‘New Service’ shall be met from the Contingency Fund during the course of the financial year.

In nine grants (24 cases) an expenditure of ₹ 28.80 crore was incurred during 2010-11 on New Services i. e. the expenditure was more than 20 *per cent* of the budget provision and exceeded ₹ five lakh in each case (*Appendix 2.11*). In all these cases expenditure on New Services was not met from the Contingency Fund and was incurred without the approval of Legislature.

The matter was brought to the notice of Government (September 2011), reply was awaited (October 2011).

2.8 Conclusion and Recommendations

During 2010-11, there was an overall saving of ₹ 5,398.91 crore against the total grants and appropriations of ₹ 61,173.08 crore. The overall savings were the net result of savings of ₹ 5,418.71 crore offset by excess of ₹ 19.80 crore, which requires regularization under Article 205 of the Constitution of India. Large savings indicated deficient budget estimates. The departments surrendered ₹ 4,628 crore (85 *per cent*) and the entire surrender was made on the last working day of the financial year leaving no scope for utilising these funds for other development purposes. In two cases, ₹ 2.57 crore was surrendered in excess of savings.

Rush of expenditure at the end of the year is another chronic feature noticed in the overall financial management, which indicates lack of budgetary control. Review of Contingency Fund revealed that during 2010-11, 10 sanctions aggregating to ₹ 191.86 crore were issued under nine Major heads by the State Government for grant of advance from the Contingency Fund, of which ₹ 11.14 crore was not immediately required.

Review of some grants also revealed that (i) in Public Health and Engineering Department, total allotment of ₹ 210 crore in 17 schemes was surrendered (₹ 202.47 crore) and lapsed to Government (₹ 7.53 crore) during 2007-11, (ii) in Co-operative Department, a provision of ₹ 30 crore for assistance to Co-operative institutions for interest payment as announced by the CM, was not made in the budget estimates, (iii) in Medical and Health Department, the Finance Department allotted additional fund of ₹ 75 crore (Non-plan) without

any demand of the Department, (iv) in five cases, there were persistent savings ranging between ₹ 0.10 crore and ₹ 3.63 crore and by 10 *per cent* or more of the total grant in Tribal Area Development Department, (v) the Tourism Department irregularly credited recoveries of previous years of ₹ 19.08 crore and exhibited in its accounts reduced expenditure by ₹ 0.18 crore (2008-09), ₹ 0.90 crore (2009-10) and ₹ 2.14 crore (2010-11) and (vi) in 24 cases the expenditure of ₹ 28.80 crore was incurred on New Services without the approval of the Legislature during 2010-11.

Recommendations

- Efforts should be made by all the departments to submit realistic budget estimates keeping in view the trends of expenditure and actual requirement of both plan and non-plan funds, in order to avoid large scale savings/excess, re-appropriations and surrenders at the end of the year. Savings should be surrendered as and when they were noticed.
- Expenditure against allocations should be spaced out and closely monitored in order to achieve the desired goals; else budgeting will remain an exercise on paper.
- The Contingency Fund should be used scrupulously only for meeting expenditure of an unforeseen and emergent nature and any expenditure on New Service met from Contingency Fund should bear approval of the Legislature.