

## 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 Accounts. These Accounts list the original budget estimate, supplementary grants, surrenders and re-appropriations distinctly and indicate actual Capital and Revenue expenditure on various specified services *vis-à-vis* those authorised by the Appropriation Accounts in respect of both charged and voted items of budget. The Appropriation Accounts thus facilitate management of finances and Accounts.

**2.1.2** Audit of appropriation by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation 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.

#### 2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2010-11 against 73 Grants/Appropriations was as given in **Table 2.1**:

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

(₹ in crore)

	Name of Expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure <sup>1</sup>	Savings (-)/ Excess (+)
Voted	I - Revenue	3047.07	1178.72	4225.79	3319.08	- 906.71
	II - Capital	1871.44	1275.47	3146.91	1650.16	- 1496.75
	III - Loans and Advances	3.60	2.80	6.40	6.31	- 0.09
<b>Total Voted</b>		<b>4922.11</b>	<b>2456.99</b>	<b>7379.10</b>	<b>4975.55</b>	<b>- 2403.55</b>
Charged	IV - Revenue	294.98	2.66	297.64	425.15	+ 127.51
	V - Capital	-	-	-	-	-
	VI - Public Debt- Repayment	190.32	0.94	191.26	86.50	- 104.76
<b>Total Charged</b>		<b>485.30</b>	<b>3.60</b>	<b>488.90</b>	<b>511.65</b>	<b>+ 22.75</b>
<b>Appropriation to Contingency Fund (if any)</b>		-	-	-	-	-
<b>Grand Total</b>		<b>5407.41</b>	<b>2460.59</b>	<b>7868.00</b>	<b>5487.20</b>	<b>- 2380.80</b>

<sup>1</sup> These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Revenue Expenditure (₹ 0.40 lakh) and Capital Expenditure (₹ 95.27 lakh).

The overall savings of ₹ 2380.80 crore was the result of savings of ₹ 2538.44 crore in 57 Grants and three Appropriations under Revenue Section, 37 Grants and one Appropriation under Capital Section, offset by excess of ₹ 157.64 crore in nine Grants and two Appropriations under Revenue Section and seven Grants under Capital Section.

The savings/excess (detailed in the Appropriation Accounts) were intimated (February 2012) to the Controlling Officers, with a request to explain the reasons for significant variations. Out of 135 Major Heads, explanations for variations were received for 129 Major Heads.

## 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 18 cases, savings exceeded ₹ 1 crore in each case and also by more than 20 per cent of total provision (**Appendix 2.1**). Against the total savings of ₹ 2538.44 crore, savings of ₹ 2447.26 crore (96.41 per cent) exceeding ₹ 10 crore in each case occurred in 20 Grants as indicated in **Table 2.2**.

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

(₹ in crore)

Sl. No	Number and Name of the Grant	Original Provision	Supplementary Provision	Total	Actual Expenditure	Savings
<b>Revenue - Voted</b>						
1.	6 District Administration	191.11	74.73	265.84	246.04	19.80
2.	8 Police	196.98	74.72	271.70	256.70	15.00
3.	14 Education	374.24	75.62	449.86	436.01	13.85
4.	23 Forests	91.74	47.93	139.67	105.21	34.46
5.	24 Agriculture	86.43	44.24	130.67	104.03	26.64
6.	27 Panchayat	24.13	30.15	54.28	35.65	18.63
7.	47 Administration of Justice	18.07	2.42	20.49	4.12	16.37
8.	50 Secretariat Economic Services	669.53	-	669.53	6.10	663.43
9.	59 Public Health Engineering	158.65	11.22	169.87	118.48	51.39
<b>Capital - Voted</b>						
10.	27 Panchayat	15.47	9.95	25.42	9.95	15.47
11.	31 Public Works	33.07	32.14	65.21	52.23	12.98
12.	32 Roads & Bridges	187.94	355.45	543.39	480.36	63.03
13.	33 North-eastern areas	89.92	74.47	164.39	122.46	41.93
14.	34 Power	90.04	13.03	103.07	90.45	12.62
15.	38 Water Resource Department	0.20	111.88	112.08	90.28	21.80
16.	50 Secretariat Economic Services	1200.00	-	1200.00	3.94	1196.06
17.	56 Tourism	27.65	25.47	53.12	33.65	19.47
18.	57 Urban Development	140.66	35.75	176.41	120.84	55.57
19.	66 Power (Civil)	26.34	186.95	213.29	169.30	43.99
<b>Capital - Charged</b>						
20.	97 Public Debt	190.33	0.94	191.27	86.50	104.77
<b>Total</b>		<b>3812.50</b>	<b>1207.06</b>	<b>5019.56</b>	<b>2572.30</b>	<b>2447.26</b>

### 2.3.2 Persistent Savings

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

**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				
		2006-07	2007-08	2008-09	2009-10	2010-11
<b>Revenue - Voted</b>						
1.	50-Secretariat Economic Services	328.24 (89)	523.23 (94)	1179.28 (99)	784.95 (99)	663.43 (99)
<b>Capital - Voted</b>						
2.	31-Public Works	10.03 (40)	5.10 (23)	31.82 (48)	38.77 (44)	12.98 (20)
3.	34-Power	25.85 (22)	63.52 (40)	45.87 (28)	62.52 (27)	12.62 (12)

(Figures in parentheses indicate percentage of savings to total provision)

One Grant, viz. 'Secretariat-Economic Services' posted large savings persistently for the last five years. There were also instances of inadequate provision of funds and unnecessary/excessive/re-appropriations, indicating poor budgeting and inadequate control over allocations.

### 2.3.3 Excess Expenditure

In five cases, expenditure aggregating ₹ 756.77 crore exceeded the approved budget provision by ₹ 1 crore or more in each case or by more than 20 per cent of the total provisions (Table 2.4).

**Table 2.4: Details of Grants/Appropriations where excess expenditure was more than ₹ one crore each or more than 20 per cent of the total provision**

(₹ in crore)

Sl. No.	Grant Number	Name of the Grant/Appropriation	Total Grant/Appropriation	Total Expenditure	Percentage of Excess Expenditure
<b>Revenue - Voted</b>					
1.	13	Directorate of Accounts	204.75	225.88	10.32
2.	16	Art & Cultural Affairs	13.68	16.01	17.03
<b>Revenue - Charged</b>					
3.	97	Public Debt	289.29	416.92	44.12
<b>Capital - Voted</b>					
4.	14	Education	91.98	94.65	2.90
5.	54	State Tax & Excise	1.73	3.31	91.33
<b>Total</b>			<b>601.43</b>	<b>756.77</b>	<b>25.83</b>

### 2.3.4 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 ₹ 10.73 crore was incurred in six Grants and one Appropriation, as detailed in **Appendix-2.2**, without any provision in the Original Estimates/Supplementary Demand and without any re-appropriation orders to this effect. Significant cases of such expenditure involving expenditure in excess of ₹ 1 crore are given in **Table 2.5**.

**Table 2.5: Expenditure incurred without provision during 2010-11**

(₹ in crore)

Grant/Appropriation Number-Major Head of Account-Sub Head - Detailed Head	Expenditure Without Provision
16-2205-102-0004-Corpus Fund	2.09
23-2406-070-0005-Building	1.23
28-4403-800-0001- Maintenance/Creation of Assets	2.05
34-4801-06-800-003-Creation of Assets	3.69
97-2049-60-701-0003- Power Bonds	1.28

**2.3.5 Excess over provisions relating to previous year requiring regularisation**

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get any excess over a Grant/Appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Constitution, the regularisation of excess expenditure is done after completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to ₹ 1126.31 crore for the years from 1986-87 to 2009-10 was yet to be regularised as detailed in **Appendix 2.3**.

**2.3.6 Excess over provisions during 2010-11 requiring regularisation**

**Table 2.6** contains a summary of total excesses in 15 cases of Grants and 2 cases of Appropriations amounting to ₹ 157.64 crore over authorisation from the Consolidated Fund during 2010-11, and required regularisation under Article 205 of the Constitution.

**Table 2.6: Excess over provisions requiring regularisation during 2010-11**

(₹ in crore)

Sl. No.	Number and Name of Grant/Appropriation	Total Grant/ Appropriation	Expenditure	Excess
<b>Revenue - Voted</b>				
1.	13 - Directorate of Accounts	204.75	225.88	21.13
2.	16 - Arts and Cultural Affairs	13.68	16.01	2.33
3.	20 - Labour	3.35	3.43	0.08
4.	29 - Co-operation	8.17	8.56	0.39
5.	30 - State Transport	53.18	53.27	0.09
6.	33 - North-Eastern Areas	6.97	7.06	0.09
7.	44 - Attached Offices of the Secretariat Administration	6.71	7.31	0.60
8.	72 - Directorate of Prison	4.53	4.61	0.08
<b>Revenue - Charged</b>				
9.	12 - Social Security and Welfare	1.06	1.08	0.02
10.	97 - Public Debt	289.29	416.92	127.63
<b>Capital - Voted</b>				
11.	14 - Education	91.98	94.65	2.67
12.	28 - Animal Husbandry and Veterinary	2.16	2.22	0.06
13.	29 - Co-operation	1.48	1.77	0.29
14.	36 - Statistics	0.73	1.09	0.36
15.	48 - Horticulture	3.82	3.87	0.05
16.	54 - State Tax and Excise	1.73	3.31	1.58
17.	61 - Geology & Mining	0.62	0.81	0.19
	<b>Total</b>	<b>694.21</b>	<b>851.85</b>	<b>157.64</b>

### 2.3.7 Unnecessary/Excessive/Inadequate Supplementary Provision

Supplementary provision aggregating ₹ 66.69 crore obtained in eight cases, (₹ 10 lakh or more in each case) during the year proved unnecessary as the expenditure did not come up to the level of the original provisions as detailed in **Table 2.7**.

**Table 2.7: Cases of Unnecessary Supplementary Provision (₹ 10 lakh or more in each case)**

(₹ in crore)

Sl. No.	Number & Name of Grant/Appropriation	Original Provision	Actual Expenditure	Savings out of Original Provision	Supplementary Provision
<b>Revenue Voted</b>					
1.	36 Statistics	16.56	14.88	1.68	3.65
2.	45 Civil Aviation	19.71	15.11	4.60	2.01
3.	47 Administration of Justice	18.07	4.12	13.95	2.42
4.	57 Urban Development	7.43	6.94	0.49	0.75
5.	59 Public Health Engineering	158.65	118.48	40.17	11.23
<b>Capital -Charged</b>					
6.	97 Public Dept	190.33	86.50	103.83	0.94
<b>Capital Voted</b>					
7.	27 Panchayat	15.47	9.95	5.52	9.95
8.	57 Urban Development	140.66	120.84	19.82	35.74
<b>Total</b>		<b>566.88</b>	<b>376.82</b>	<b>190.06</b>	<b>66.69</b>

In four cases (**Table 2.8**), the supplementary provision of ₹ 126.65 crore proved insufficient by more than ₹ one crore in each case, leaving an aggregate excess expenditure of ₹ 27.71 crore over the supplementary provision.

**Table 2.8: Cases of Insufficient Supplementary Provisions**

(₹ in crore)

Sl. No.	Number and Name of Grant/Appropriation	Original Provision	Supplementary Provision	Total	Expenditure	Excess
<b>Revenue - Voted</b>						
1.	13 - Directorate of Accounts	162.25	42.50	204.75	225.88	21.13
2.	16 - Art & Cultural Affairs	2.95	10.73	13.68	16.01	2.33
<b>Capital - Voted</b>						
3.	14 - Education	20.29	71.69	91.98	94.65	2.67
4.	54 - State Tax and Excise	-	1.73	1.73	3.31	1.58
<b>Total</b>		<b>185.49</b>	<b>126.65</b>	<b>312.14</b>	<b>339.85</b>	<b>27.71</b>

### 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/excess of over ₹ 10 lakh in each Sub-head of 82 Grants/Appropriations as detailed in **Appendix 2.4**.

### 2.3.9 Unexplained Re-appropriation

According to the Budget Manual, reasons for additional expenditure and savings should be explained in the Re-appropriation Statement and vague expressions such as

“less requirement of funds”, “requirement of more funds,” etc. should be avoided. Scrutiny of re-appropriation orders issued by the Finance Department revealed that in respect of some cases, reasons given for additional provision/withdrawal of provision in the re-appropriation orders were release of additional funds by the Government of India for major works, non-receipt of funds from the Finance Department, non-completion of construction works in time, etc., while in most of the cases, vague expressions like, ‘based on actual requirement,’ etc., were shown as reasons for re-appropriation.

### 2.3.10 Substantial Surrenders

Substantial surrenders (cases where more than 50 per cent of the total provision was surrendered) were made in respect of six Grants. Out of the total provisions of ₹ 782.21 crore in these cases, ₹ 732.85 crore (93.69 per cent) were surrendered during the year, reasons for which were not stated. The details of such cases are given in Table 2.9 below.

**Table 2.9: Cases of Substantial Surrenders made during the year**

(₹ in crore)

Sl. No.	Number and Title of Grant		Name of the Scheme (Head of Account)	Amount Surrendered	Percentage of Surrender
1.	7	Treasury and Accounts Administration	Construction of Treasury Building	2.50	100
2.	50	Secretariat Economic Services	Establishment Expenses	662.29	99.19
3.	59	Public Health Engineering	Accelerated Rural Water Supply Programme	47.73	59.66
4.	67	State Information Commission	Capacity Building and Awareness Generation for Effective Implementation of the RTI Act	0.14	57.14
5.	97	Public Debt	Interest on State Plan Loan	19.89	63.60
6.	53	Fire Protection & Control	Creation of Assets	0.30	59.02
<b>Total</b>				<b>732.85</b>	<b>93.69</b>

### 2.3.11 Surrender in Excess of Actual Savings

In three cases (Table 2.10), against savings of ₹ 1.03 crore, the surrendered amount was ₹ 1.35 crore, resulting in excess surrender of ₹ 0.33 crore.

**Table 2.10: Surrender in Excess of Actual Savings**

(₹ in lakh)

Sl. No.	Number & Name of the Grant/Appropriation		Total Grant/ Appropriation	Savings	Amount Surrendered	Amount Surrendered Excess
<b>Revenue - Voted</b>						
1.	41	Land Management	1041.69	11.37	22.37	11.00
<b>Capital - Voted</b>						
2.	21	Food, Storage & Warehousing	239.65	82.91	83.49	0.58
3.	53	Fire Protection and Control	50.00	8.51	29.51	21.00
<b>Total</b>			<b>1331.34</b>	<b>102.79</b>	<b>135.37</b>	<b>32.58</b>

### 2.3.12 Anticipated Savings not Surrendered

As per the Budget Manual, the spending Departments are required to surrender Grants/Appropriations or portions thereof to the Finance Department as and when savings are anticipated. At the end of the financial year 2010-11, there were 55 Grants/Appropriations where there were savings (₹ 10 lakh and above in each case), but were not surrendered by the Departments concerned. The amount involved in these cases was ₹ 510.32 crore (**Appendix 2.5**). Out of the 55 cases, savings were more than ₹ one crore in 26 cases.

Similarly, out of the total savings of ₹ 2507.71 crore under 33 Grants/Appropriations (where savings of ₹ 1 crore and above occurred in each Grant/Appropriation), an amount aggregating ₹ 1585.64 crore (63.23 *per cent* of total savings) was not surrendered, details of which are given in **Appendix 2.6**. Due to the non-surrender of anticipated savings by the Departments concerned, there was no scope on the part of the Finance Department to utilise the funds for other purposes.

### 2.3.13 Rush of Expenditure

Rush of expenditure at the close of the year can lead to infructuous, nugatory or ill-planned expenditure. As such, Government expenditure is required to be evenly phased over the year as far as possible. It was, however, noticed that during 2010-11, expenditure during the fourth quarter and in the month of March compared to the total expenditure during the year ranged between 30.38 *per cent* and 94.34 *per cent* and 17.82 *per cent* to 84.50 *per cent* respectively in case of 12 illustrative major Heads of Account, as indicated in **Table 2.11** below:

**Table 2.11: Cases of Rush of Expenditure towards the end of the Financial Year**

(₹ in crore)

Sl. No.	Major Head	Total Expenditure during the Year	Expenditure during January - March 2011		Expenditure during March 2011	
			Amount	Percentage of Total Expenditure	Amount	Percentage of Total Expenditure
1.	2202	425.24	129.19	30.38	75.77	17.82
2.	2210	199.04	68.88	34.61	41.01	20.60
3.	2215	118.33	59.06	49.91	42.13	35.60
4.	2235	70.43	35.29	50.11	26.71	37.92
5.	2401	129.23	68.10	52.70	57.48	44.48
6.	2505	13.60	12.83	94.34	10.69	78.60
7.	2702	142.12	81.01	57.00	73.87	51.98
8.	2801	274.12	142.21	51.88	107.60	39.25
9.	3054	235.75	133.49	56.62	106.43	45.15
10.	4059	57.81	39.53	68.38	30.22	52.27
11.	4217	224.70	200.42	89.19	189.87	84.50
12.	4801	256.75	158.42	61.70	142.17	55.37

## 2.4 Non-reconciliation of Departmental Figures

### 2.4.1 Pending submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

Rules provide that draws through Abstract Contingent bills (AC Bills) require presentation of Detailed Countersigned Contingent bills (DCC Bills) to the Controlling Officer (CO) and transmission of the same to the Accountant General's Office. A Certificate is also required to be attached to every AC Bill to the effect that DCC Bills have been submitted to the CO in respect of all one month old AC Bills (drawn more than a month before the date of the Bill).

Records available in respect of some Drawing and Disbursing Officers (DDOs)/COs revealed that 2,359 DCC Bills amounting to ₹ 27.57 crore were not furnished to the Accountant General as of March 2011. Thus, due to non-submission of DCC Bills, the actual expenditure against these draws remained un-assessed, indicating serious deficiency in control over expenditure. The year-wise position is given in **Table 2.12** below.

**Table 2.12: Position of Pending DCC bills**

(₹ in crore)

Year	Total Amount Drawn during the Year	Number of Pending DCC Bills	Percentage of Outstanding Amount	Amount Involved
up to 2008-09	78.90	1701	18.31	14.45
2009-10	25.85	113	45.28	11.70
2010-11	2.93	545	48.46	1.42
<b>Total</b>	<b>107.67</b>	<b>2359</b>	<b>25.61</b>	<b>27.57</b>

### 2.4.2 Un-reconciled Expenditure

To enable COs 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. 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. Four COs did not reconcile expenditure amounting to ₹ 238.59 crore as of March 2011. Details are given in **Table 2.13**.

**Table 2.13: Un-reconciled Expenditure**

(₹ in crore)

Sl. No.	Controlling Officers	Number of Heads of Account involved	Amount not Reconciled
1.	Director, Social Security and Welfare	2235	1.08
2.	Secretary, Forests	2406, 3435	105.21
3.	Secretary, North-Eastern Areas	2552, 4552	129.52
4.	Secretary, Town Planning Department	2217	2.78
<b>Total</b>			<b>238.59</b>



## **2.5 Conclusion**

During 2010-11, there was net savings of ₹ 2380.80 crore, which was the result of savings of ₹ 2538.44 crore, offset by excess of ₹ 157.64 crore. The excess of ₹ 157.64 crore required regularisation as per Article 205 of the Constitution. Three Grants, ‘Secretariat-Economic Services’, ‘Public-Works’ and ‘Power’ posted large savings persistently for the last five years. There were also instances of inadequate provision of funds and unnecessary/excessive re-appropriations. Rush of expenditure at the end of the Financial Year is another chronic feature noticed in the overall financial management. In many cases, anticipated savings were not surrendered, leaving no scope for utilising these funds for other development purposes. Detailed Bills were not submitted for a large amount of advances drawn on abstract contingent bills.

***Budgetary Controls should be strictly observed to avoid deficiencies in Financial Management.***