

CHAPTER II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

2.1 Introduction

2.1.1 Appropriation Accounts are accounts of the expenditure, voted and charged, of the Government for each financial year, compared with the amounts of the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts. These accounts list the original budget estimates, supplementary grants, surrenders and re-appropriations distinctly and indicate actual capital and revenue expenditure on various specified services *vis-a-vis* those authorised by the Appropriation Acts in respect of both charged and voted items of the budget. The Appropriation Accounts, thus, facilitate the management of finances and monitoring of budgetary provisions and are therefore, complementary to the Finance Accounts.

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

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

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

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2011-12 against 83 grants/appropriations is as given in **Table 2.1**.

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

(₹ in crore)

	Nature of expenditure	Original grant/ appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess(+)
Voted	I. Revenue	5366.04	365.78	5731.82	4798.81	-933.01
	II. Capital	1588.69	236.57	1825.26	1228.08	-597.18
	III. Loans & Advances	0.00	0.00	0.00	9.42	9.42
Total voted		6954.73	602.35	7557.08	6036.31	-1520.77
Charged	I. Revenue	723.08	0.15	723.23	740.77	17.54
	II. Capital	0.00	6.10	6.10	6.06	-0.04
	III. Public Debt	363.58	0.00	363.58	278.29	-85.29
Total Charged		1086.66	6.25	1092.91	1025.12	-67.79
Grand Total		8041.39	608.60	8649.99	7061.43	-1588.56

(Source: Appropriation Accounts of the State Government)

Note: The expenditure includes the recoveries of revenue expenditure amounting to ₹ 56.08 crore and capital expenditure amounting to ₹ 50.37 crore adjusted as reduction of expenditure

Supplementary provisions of ₹ 608.60 crore obtained during the year constituted 7.57 per cent of the original provision as against 7.25 per cent in the previous year.

The overall savings of ₹ 1,588.56 crore were the result of savings of ₹ 1,607.44 crore in 79 grants and two appropriations under the Revenue Section and 62 grants under the Capital Section and one appropriation (Public Debt-Repayments), offset by an excess of ₹ 18.88 crore in one appropriation under the Revenue Section.

As may be seen from the above table, against the original provision of ₹ 8,041.39 crore, expenditure of only ₹ 7,061.43 crore was incurred. There was no requirement of supplementary funds. The actual savings of ₹ 1,588.56 crore, constituting 261 per cent of the supplementary budget of ₹ 608.59 crore, clearly indicated inaccurate estimation of funds and lack of control mechanism. Cases where supplementary provisions proved unnecessary as the expenditure did not come up to the level of the original provisions are discussed in **paragraph 2.3.5**.

2.3 Financial accountability and budget management

2.3.1 Appropriations vis-à-vis allocative priorities

Appropriation audit revealed that in 51 cases, savings exceeded ₹ two crore in each case and by more than 20 per cent of the total provision (**Appendix 2.1**). A list of grants where savings exceeded ₹ 50 crore is given

in Table 2.2. Out of total savings of ₹ 1,588.56 crore, savings of ₹ 584.96 crore (37 per cent) occurred in 8 cases relating to eight grants.

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

(₹ in crore)

Sl. No.	No. and Name of grant	Original	Supplementary	Total	Actual Expenditure	Savings
REVENUE (VOTED)						
1	8-Treasury and Account Administration(North Goa)	521.22	-	521.22	435.93	85.29
2	34-School Education	712.53	-	712.53	614.22	98.31
3	43-Art and Culture	142.48	-	142.48	92.27	50.21
4	55-Municipal Administration	126.90	-	126.90	71.12	55.78
5	57-Social Welfare	208.24	-	208.24	146.38	61.86
6	83-Mines	106.75	-	106.75	2.59	104.16
CAPITAL (VOTED)						
7	13-Transport	66.08	-	66.08	7.19	58.89
8	32-Finance	205.00	20.00	225.00	154.53	70.47
	Total	2089.20	20.00	2109.20	1524.24	584.96

(Source: Appropriation Accounts of the State)

The reason furnished for unspent provisions under the major heads of account as reported in appropriation account are given below :

Grant number 8-Treasury and Account Administration

Savings in Major Head 2071- Pension and other retirement benefits was due to less number of claims received from employees of State aided educational Institutions.

Grant number 34 –School Education

Savings was due to curtailment of expenditure in 2202- General Education, less submission of claims received on account of assistance to Non-Government Secondary Schools.

Grant number 43 –Art and Culture

Partial implementation of the Scheme of Development of Library and Reading Culture and non-implementation of few Schemes viz., setting up of State of Art, Museum at Adil Shah (Old secretariat), Pilgrimage Grants for Facilitation Centers and Establishment of Goa Centers in various places etc.

Grant number 55 - Municipal Administration

Non-receipt of proposal from Goa State Urban Development Agency for release of funds under Jawaharlal Nehru National Urban Renewal Mission and non-utilisation of grants received from GoI to Local Bodies under XIII FC.

Grant number 57-Social Welfare

Savings under 2235-Social Security and Welfare was mainly due to less response under Tribal Area Sub-Plan such as financial assistance to motorcycle pilots, tiny entrepreneurs etc.

Grant number 83-Mines

Welfare Scheme for Mining Affected People was not implemented because of non approval from the Government of Goa and non-filling of posts in non-ferrous mining and metallurgical industries.

Grant number 13-Transport

Savings was mainly due to non-utilisation of funds by Public Works Department for construction of modern bus stand at Margao, office buildings etc. due to election code of conduct and non-receipt of claim from Mopa Airport Cell.

Grant number 32-Finance

Non-engagement of Consultants for Public Private Partnership projects and State Viability Gap Funding. Savings was also due to non-implementation of the Scheme of Goa Infrastructure Development Project.

2.3.2 Persistent savings

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

Table 2.3: List of grants indicating persistent savings during 2007-12

(₹ in crore)

Sl. No.	Number and name of the grant	Amount of savings (Per cent to total grant)				
		2007-08	2008-09	2009-10	2010-11	2011-12
Revenue-Voted						
1	8- Treasury and Accounts Administration (North Goa)	48.45 (24.00)	57.27 (19.91)	325.50 (47.27)	126.92 (24.36)	85.28 (16.36)
2	19- Industries, Trade and Commerce	13.43 (69.70)	4.65 (20.83)	4.34 (17.05)	4.63 (15.87)	25.28 (60.43)
3	21-Public Works	6.94 (2.50)	2.96 (0.87)	5.23 (1.26)	9.06 (2.07)	28.03 (5.30)
4	31-Panchayats	6.81 (14.65)	8.28 (12.43)	13.24 (15.50)	1.49 (1.76)	15.41 (14.87)
5	34-School Education	3.20 (1.08)	51.79 (11.44)	15.55 (2.99)	20.09 (3.19)	98.30 (13.79)
6	45-Archives and Archaeology	1.38 (36.89)	2.10 (40.78)	2.79 (39.44)	3.20 (32.62)	2.48 (23.84)
7	48-Health Services	4.15 (5.51)	6.41 (5.56)	5.68 (4.32)	13.25 (7.90)	6.55 (3.37)
8	55-Municipal Administration	63.17 (59.83)	70.48 (59.15)	66.41 (51.90)	60.49 (43.85)	55.78 (43.95)
9	57-Social Welfare	6.46 (4.09)	16.61 (12.11)	11.12 (7.17)	13.73 (8.53)	61.86 (29.70)
10	65-Animal Husbandry and Veterinary Services	2.49 (13.08)	5.15 (19.00)	1.92 (6.41)	5.98 (19.38)	18.06 (37.90)
11	67-Ports Administration	1.23 (27.40)	1.58 (26.17)	1.80 (25.58)	1.08 (17.10)	1.06 (16.28)
Capital-Voted						
12	18- Jails	5.55 (74.03)	9.96 (84.67)	13.27 (76.79)	1.74 (13.91)	2.20 (12.57)

	21- Public Works	75.64 (25.45)	81.59 (23.01)	27.01 (7.11)	62.82 (14.11)	65.15 (13.23)
	45- Archives and Archaeology	5.04 (91.59)	3.99 (36.26)	1.94 (18.50)	1.29 (17.86)	10.14 (97.03)
	67- Ports Administration	2.88 (64.00)	3.41 (66.24)	3.08 (33.53)	16.42 (84.12)	2.83 (15.65)
13	74- Water Resources	6.24 (3.71)	2.84 (1.51)	6.16 (3.17)	10.14 (4.56)	75.82 (27.67)
14	78- Tourism	1.24 (13.06)	1.17 (7.84)	2.34 (8.01)	26.58 (53.22)	17.84 (41.29)

(Source: Appropriation Accounts of the State)

It was observed that persistent savings of more than ₹ 25 crore were observed in Grant no. 8 (Revenue- Voted), Grant no. 55 (Revenue- Voted) and Grant no. 21 (Capital- Voted) during the years 2007-12.

The persistent savings indicated that the budgetary controls in the Departments were not effective and previous years' trends were not taken into account while allocating funds for the year.

2.3.3 Excess over provisions relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion on the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure amounting to ₹ 10.36 crore for the years 2007-08 to 2010-11 was still to be regularised. The year-wise amount of excess expenditure pending regularisation for grant/appropriations are summarised in Table 2.4.

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

(Amount in ₹)

Year	Number of		Amount of excess over provision	Status of Regularisation
	Grants	Appropriations		
2007-08	1	--	2,57,094	Yet to be discussed by the PAC
2008-09	3	--	3,01,034	
2009-10	1	1	7,57,03,905	
2010-11	1	1	2,74,15,571	
Total	6	2	10,36,77,604	

(Source: Appropriation Accounts of the State)

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

2.3.4 Excess over provisions during 2011-12 requiring regularisation

During 2011-12, excess expenditure was incurred in one appropriation over the amount authorised by the legislature. The excess expenditure requires regularisation under Article 205 of the Constitution. The detail is given in **Table 2.5**.

Table 2.5: Excess over provisions requiring regularisation during 2011-12

<i>(Amount in ₹)</i>				
Sl. No.	Number and title of Grant/Appropriation	Total grant / Appropriation	Expenditure	Excess
1	Appropriation-Debt Services (Revenue-Charged)	7,16,29,06,000	7,35,16,78,521	18,87,72,521

(Source: Appropriation Accounts of the State)

The excess expenditure under Appropriations-Debt Services was mainly due to the increased expenditure on interest payments towards small savings, Provident Fund, Goa University and Non-Government Employees Provident Fund, Government-aided Polytechnic, Defined Contribution Pension System *etc.*

2.3.5 Unnecessary/excessive/inadequate supplementary provision

Supplementary provisions aggregating ₹ 232.73 crore obtained in 33 cases involving ₹ 10 lakh or more in each case during the year, proved unnecessary as the expenditure did not come up to the levels of the original provisions as detailed in **Appendix 2.2**.

2.3.6 Excessive/unnecessary/insufficient re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation where savings are anticipated to another unit where additional funds are needed. Re-appropriation proved injudicious in view of the excessive surrenders or insufficient augmentation and resulted in savings/excess of over ₹ 25 lakh in 18 major heads (36 cases) as detailed in **Appendix 2.3**. Some of the cases are discussed below:

In Grant No. 2 (General Administration and Co-ordination), augmentation of funds of ₹ 1.30 crore under Major head 3451 through re-appropriation proved insufficient due to excess expenditure of ₹ 0.84 crore.

In Grant No. 76 (Electricity), withdrawal of fund (₹ 3 crore) proved unnecessary due to excess expenditure of ₹ 0.36 crore (Sl.No. 31 refers).

In Grant No.21 (Public Works), augmentation of funds through re-appropriation (₹ 2.91 crore) proved unnecessary due to savings of ₹ 6.46 crore (Sl.No.13 refers).

2.3.7 Unexplained re-appropriations

In the re-appropriation statement, the reasons for the additional expenditure and the savings should be explained and general expressions such as

“economy measures”, “austerity measures” “budget inadequate” *etc.*, should be avoided. However, scrutiny of re-appropriation orders issued by various Departments revealed that in respect of 147 out of 410 items (35 *per cent*), the reasons given for additional provision/withdrawal of provision in re-appropriation orders were of general nature.

2.3.8 Substantial surrenders

Out of the total provision of ₹ 645.33 crore, substantial surrenders amounting to ₹ 497.74 crore were made from 25 grants on account of either non-implementation or slow implementation of Schemes/Programmes. The details of the cases where the surrenders were more than 50 *per cent* of the provisions are given in **Appendix 2.4**.

The Departments attributed the substantial surrenders to:

30-Small savings and Lotteries: Non-release of grants to grantee institution for Other Social Security and Welfare Programme.

32-Finance: Non-engagement of Consultant for financial and legal services and interest subsidy on loan towards Chief Ministers Rozgar Yojana Scheme not being claimed by the Educational Development Corporation.

83-Mines: Scheme for Welfare of Mining Affected People could not be implemented on account of non-receipt of approval from the Government.

02-General Administration and Co-ordination: Non-utilisation of funds for construction of Goa Bhavan in Mumbai and renovation of Goa Sadan, New Delhi. Proposal for Security Electric Fencing work not taken up due to non-receipt of approval from the Government.

10-Notary Service: Non-issue of work by Public Works Department for construction of office building.

13-Transport: Non-utilisation of funds by Public Works Department for construction of bus stand, office buildings, Drivers Training/Testing facilities *etc.*, and non-receipt of any claim from Mopa Airport Cell.

42-Sports and Youth Affairs: Non-finalisation of pattern of assistance by Government for release of grants to 36th National Games Secretariat.

2.3.9 Surrenders in excess of actual savings

In four cases, the amount surrendered (₹ 10 lakh or more in each case) was in excess of the actual savings, indicating lack of or inadequate budgetary control in these Departments. As against savings of ₹ 13.13 crore, the amount surrendered was ₹ 13.88 crore, resulting in excess surrender of ₹ 75 lakh. Details are given in **Table 2.6**.

Table: 2.6 Surrender in excess of actual savings (₹ 10 lakh or more)

(₹ in crore)

Sl. No.	Number and name of the grant/appropriation	Total grant/appropriation	Expenditure	Savings	Amount surrendered	Amount surrendered in excess
	Revenue - Voted					
1	36-Technical Education	19.31	18.59	0.72	0.98	0.26
2	45-Archives and Archaeology	10.40	7.92	2.48	2.61	0.13
3	82-Information Technology	56.28	46.85	9.43	9.65	0.22
	Capital - Voted					
4	66-Fisheries	6.63	6.13	0.50	0.64	0.14
	Total	92.62	79.49	13.13	13.88	0.75

(Source: Appropriation Accounts of the State)

In respect of Appropriation-Debt Services (Charged), though an excess expenditure of ₹ 18.88 crore was incurred, an amount of ₹ 31.66 crore was surrendered in March 2012, indicating non-existence of any budgetary control mechanism.

2.3.10 Anticipated savings not surrendered

Rule 56 of the General Financial Rules, 2005 provides that the spending Departments are required to surrender the grants/appropriations or portions thereof to the Finance Department as and when savings are anticipated. At the close of the year 2011-12, there were eight grants/appropriations, where no expenditure was incurred and the entire amount was surrendered in the last month of the financial year by the concerned Departments. The total amount involved in these cases was ₹ 45.59 crore (Appendix 2.5). Further, there were two grants in which savings occurred but no part of them had been surrendered by the concerned Departments. The total amount involved in these cases was ₹ 50.98 crore as given in Table 2.7.

Table 2.7: Statement of grants in which savings occurred but no part of which had been surrendered

(₹ in lakh)

Sl. No.	Number and Name of grants/appropriation	Savings
1	60-Employment(Revenue -Voted)	4,998.00
2	82-Information Technology(Capital - Voted)	100.00
	Total	5,098.00

(Source: Appropriation Accounts of the State)

Similarly, out of total savings of ₹ 740.62 crore under 34 other grants/appropriations, saving of ₹ 66.41 crore (₹ 10 lakh and above) was not surrendered. The details are given in Appendix 2.6. In 46 other grants, ₹ 1,242.69 crore was surrendered (in excess of ₹ five crore) in the last month of the financial year (Appendix 2.7) indicating inadequate financial control. Moreover, these funds could not be utilised for other development purposes.

2.3.11 Rush of expenditure

Rule 56 (3) of the General Financial Rules, 2005 provides that rush of expenditure, particularly in the closing months of the financial year shall be regarded as a breach of financial propriety and is to be avoided. **Table 2.8** presents the major heads where the expenditure exceeded ₹ four crore and also more than 50 per cent of the total expenditure was incurred in March 2012/last quarter of 2012.

Table 2.8: Details of expenditure exceeding ₹ four crore and also more than 50 per cent of total expenditure incurred in March 2012/last quarter of 2012

(₹ in crore)

Sl. No.	Major head	Total expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2011	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1	2245	4.52	3.03	67.22	3.03	67.22
2	4210	23.16	12.53	54.08	11.63	50.20
3	4406	10.45	10.45	100.00	5.40	51.64
4	4701	118.07	87.12	73.79	65.30	55.31
5	4801	168.75	101.26	60.00	90.78	53.80
Total		324.95	214.39	71.01	176.14	55.63

(Source: Directorate of Accounts)

2.4 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, Departmental officers are required to reconcile periodically and before the close of the accounts of a year, the Departmental figures of expenditure with those recorded in the books of the Director of Accounts. The Public Accounts Committee in its forty-eighth report (1992) had desired that punitive action should be taken against erring Budget Controlling Authorities (BCAs). Even though non-reconciliation of Departmental figures is pointed out regularly in Audit Reports, lapses on the part of Controlling Officers in this regard continued to persist during 2011-12 also. During 2011-12, 37 out of 85 BCAs, had not carried out reconciliations for the entire year in respect of 1,690 units under their control, involving ₹ 2,090.00 crore and four BCAs had carried out such reconciliations only for part of the year in respect of 97 units under their control, involving ₹ 30.98 crore. The unreconciled periods in case of the partially reconciled units ranged from one to eight months. The details of 24 major BCAs (out of 41) who did not reconcile the expenditure are indicated in **Table 2.9**.

Table 2.9: Major Budget Controlling Authorities who did not reconcile their figures

(₹ in crore)

Sl. No.	Budget Controlling Authority who did not reconcile their figures	Amount not reconciled
1	Principal, Goa College of Engineering	20.59
2	Secretary, Legislature	13.02
3	Under Secretary, General Administration. Department	42.09
4	Principal District & Session Judge, North Goa	11.20
5	Principal District & Session Judge, South Goa	10.12
6	Chief Electoral Officer	20.39
7	Commissioner of Commercial Taxes	10.15
8	Directorate of Transport	45.81
9	Collector, North Goa	14.70
10	Collector, South Goa	29.70
11	Inspector General of Prisons	22.51
12	Principal Chief Engineer, Public Works Department	933.67
13	Director of Higher Education	131.79
14	Director of Health Services	190.55
15	Dean, Goa Dental College & Hospital	11.48
16	Director of Information & Publicity	18.50
17	State Director of Craftsmen Training	36.55
18	Under Secretary, Law	15.07
19	Director of Animal Husbandry & Veterinary Services	30.97
20	Chief Conservator of Forests	53.83
21	Chief Engineer, Water Resources Department	278.87
22	Director of Planning, Statistics & Evaluation	11.74
23	Director of Tourism	64.40
24	Director of Information and Technology	46.85
	Total	2064.55

(Source: Directorate of Accounts)

2.5 Outcome of review of selected grant

A review on the budgetary procedure and control over expenditure in respect of Grant No. 83 - Mines was conducted. Important points noticed during the review are detailed below:

As against a budget provision of ₹ 110 crore (₹ 106.75 crore under revenue and ₹ 3.25 crore under capital), the actual expenditure was only ₹ 2.60 crore (2.36 per cent) under the revenue head, resulting in a savings of ₹ 104.15 crore under revenue and ₹ 3.25 crore under capital.

As per Rule 56(2) of General Financial Rules, 2005, savings as well as provisions that cannot be profitably utilised should be surrendered to the Government immediately when they are foreseen without waiting till the end of the year. Contrary to the Rule, the entire savings of ₹ 107.40 crore was surrendered in the last month of financial year (March 2012).

2.6 Conclusion

During 2011-12, expenditure of ₹ 7,061.43 crore was incurred against the total provision of ₹ 8,649.99 crore, resulting in savings of ₹ 1,588.56 crore. The overall savings were the net result of savings of ₹ 1,607.44 crore, offset by an excess of ₹ 18.88 crore. This excess requires regularisation under Article 205 of the Constitution of India.

In most of the cases, the budget estimates were either overestimated or underestimated. At the end of the year 2011-12, there were eight grants/appropriations where no expenditure was incurred and the entire amount was surrendered in the last month of the financial year by the concerned Departments. The total amount involved in these cases was ₹ 45.59 crore.

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

2.7 Recommendations

- Budgetary controls should be strengthened in all the Departments, especially in those Departments where savings/excesses have been observed. All the Departments should submit realistic budget estimates, keeping in view the trends of expenditure and the actual requirement of funds in order to avoid large savings/excesses.
- All the Departments should closely monitor the expenditure against the allocations and incurring of expenditure in excess of the grants should be strictly avoided.
- Surrender of funds should be done much before the closing of the financial year so as to enable the Government to utilise the funds on other Schemes.
- Action needs to be taken to regulate and systematise the procedure to avoid heavy expenditure during the last quarter of the financial year.