
Chapter-II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

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 voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Act. 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 authorised by the Appropriation Act in respect of both charged and voted items of the budget. Appropriation Accounts thus facilitate 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 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 2011-2012 against 79 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	Savings (-)/ Excess (+)
Voted	I Revenue	48,801.06	5,252.62	54,053.68	46,471.02	- 7,582.66
	II Capital	8,973.29	1,642.91	10,616.20	8,995.19	- 1,621.01
	III Loans and Advances	3,211.21	14,445.61	17,656.82	15,864.26 ¹	- 1,792.56
Total Voted		60,985.56	21,341.14	82,326.70	71,330.47²	-10,996.23
Charged	IV Revenue	6,538.99	421.70	6,960.69	6,555.62	-405.07
	V Capital	18.67	80.65	99.32	97.70	-1.62
	VI Public Debt- Repayment	6,800.10	-	6,800.10	3,149.79	-3,650.31
Total Charged		13,357.76	502.35	13,860.11	9,803.11	-4,057.00
Grand Total		74,343.32	21,843.49	96,186.81	81,133.58³	-15,053.23

(Source: Appropriation Accounts)

- The overall savings of ₹ 15,053.23 crore was the result of savings of ₹ 15,188.33 crore in 71 grants and 41 appropriations under the Revenue Section and 46 grants and five appropriations under the Capital Section, offset by an excess of ₹ 135.10 crore in one grant and one appropriation under the Revenue Section and three grants and one appropriation under the Capital Section.
- Major savings of more than 20 per cent of the total grant were in respect of Finance, Land Revenue, Planning, Economic and Statistics, Water Resources, School Education (excluding Primary Education) and Law and Legislative Affairs Departments, Bundelkhand Package, etc.
- Against the original provision of ₹ 74,343.32 crore, expenditure of ₹ 81,133.58 crore was incurred, thereby requiring only 31 per cent of supplementary funds.
- Supplementary provision of ₹ 21,843.49 crore obtained during the year constituted 29.4 per cent of the original provision.

¹ Includes ₹ 3.70 crore in respect of Inter-State Settlement and ₹ 100 crore in respect of Appropriation to Contingency Fund.

² Gross figure without taking into account the recoveries adjusted as reduction of expenditure under Revenue Expenditure: ₹ 332.93 crore and Capital Expenditure: ₹ 37.73 crore.

³ The actual expenditure was overstated to the following extent for the reasons mentioned below:

₹ 584.33 crore (Revenue Voted section: ₹ 464.81 crore, Revenue Charged section: ₹ 1.21 crore and Capital Voted section: ₹ 118.31 crore) being the unspent amount transferred to Major Head 8443-Civil Deposit, 800-Other Deposits through NIL payment vouchers on 31 March 2012.

Genuineness of expenditure of ₹ 0.05 crore drawn on Abstract Contingent bills during 2011-12 could not be vouchsafed, as Detailed Contingent bills were not submitted by the Deputy Director, National Cadet Corps, Bhopal.

- The actual savings of ₹ 15,053.23 crore constituted 69 per cent of the supplementary budget of ₹ 21,843.49 crore, indicating inaccurate estimation of funds and lack of control mechanism.

The savings/excesses were intimated from 2 July 2012 to 27 July 2012 to the Controlling Officers asking them to explain the reasons for the significant variations. Reasons for final savings have not been intimated by the concerned Departments (October 2012).

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

Appropriation Audit conducted by us revealed that in 29 cases there were savings aggregating ₹ 9,407.81 crore. In each case, the savings exceeded ₹ 10 crore and were also more than 20 per cent of the respective budget provisions (**Appendix 2.1**). Out of the total savings of ₹ 15,053.23 crore (**Table 2.1**), savings of ₹ 8,805.64 crore (58.50 per cent)⁴ occurred in 11 cases (exceeding ₹ 100 crore in each case) relating to ten grants and one appropriation as indicated in **Table 2.2**.

Table 2.2 : List of Grants/Appropriations with savings of ₹ 100 crore and above

(₹ in crore)

Sl. No.	Number and Name of the Grant/Appropriation	Original provision	Supplementary provision	Total	Actual expenditure	Savings
Revenue-Voted						
1.	06-Finance	6,503.67	6.14	6,509.81	4,543.60	1,966.21
2.	08-Land Revenue and District Administration	849.64	32.80	882.44	689.30	193.14
3.	29-Law and Legislative Affairs	561.12	125.83	686.95	549.13	137.82
4.	31-Planning, Economics and Statistics	456.97	2.33	459.30	72.92	386.38
5.	40-Expenditure Pertaining to Water Resources Department-Command Area Development	12.42	100.00	112.42	2.78	109.64
6.	77-Other Expenditure Pertaining to School Education Department (Excluding Primary Education)	1,264.20	111.44	1,375.64	1,053.25	322.39
Capital-Voted						
7.	06-Finance	1,518.30	100.00	1,618.30	116.52	1,501.78

⁴ Exceeding ₹ 100 crore and also more than 20 per cent of the total provision in each case.

Sl. No.	Number and Name of the Grant/Appropriation	Original provision	Supplementary provision	Total	Actual expenditure	Savings
8.	42-Public Works Relating to Tribal Area Sub-Plan-Roads and Bridges	339.05	75.01	414.06	276.45	137.61
9.	57-Externally Aided Projects Pertaining to Water Resources Department	358.28	-	358.28	216.22	142.06
10.	61-Expenditure Pertaining to Bundelkhand Package	599.18	20.00	619.18	360.88	258.30
Capital-Charged						
11.	Public Debt	6,800.10	-	6,800.10	3,149.79	3,650.31
Total		19,262.93	573.55	19,836.48	11,030.84	8,805.64

(Source: Appropriation Accounts)

The reasons for the substantial savings in the grants/appropriations shown in the above table, as stated in the Appropriation Accounts, are mentioned below:-

06-Finance (Revenue Voted): Substantial savings occurred under this grant mainly under the following heads:- 2054-Treasury and Accounts Administration- Works Related to Information Technology (₹ 51.03 crore), 2070-Other Administrative Services-Other Expenditure (₹ 1,109.71 crore), 2071-Pension and Other Retirement Benefits-Minor Head 101-Superannuation and Retirement Allowances-Composite State of Madhya Pradesh (₹ 330.30 crore), 104-Gratuities-Composite State of Madhya Pradesh (₹ 257.36 crore), 105-Family Pensions-Composite State of Madhya Pradesh (₹ 200.98 crore) and 115-Leave Encashment Benefits-Composite State of Madhya Pradesh (₹ 62.26 crore), which were partly offset by excesses mainly under 2071-Pension and Other Retirement Benefit-101-Superannuation and Retirement Allowances-Madhya Pradesh (₹ 85.35 crore) and 105-Family Pensions-Madhya Pradesh (₹ 39.47 crore). The reasons for the savings and excesses had not been intimated (October 2012).

08-Land Revenue and District Administration (Revenue Voted): Substantial savings occurred mainly under the following heads:- 2029-Land Revenue-Land Management (₹ 18.48 crore), District Expenses (₹ 93.88 crore) and 2053-District Administration-District Establishment (₹ 28.04 crore). The reasons for the savings had not been intimated (October 2012).

29-Law and Legislative Affairs (Revenue Voted): Savings of ₹ 137.82 crore shown in this grant was understated by ₹ 121.24 crore on account of transfer of funds to 8443-Civil Deposit-800-Other Deposits on 30 March 2012 by exhibiting the same as final expenditure in the Accounts under the scheme "Reforms in Judicial System (Thirteenth Finance Commission)". Substantial savings occurred mainly under the following heads:- 2014-Administration of Justice-General Establishment (₹ 50.33 crore), Reforms in Judicial System

(Thirteenth Finance Commission) (₹ 33.75 crore) and 2015-Elections-Preparation and Printing of Voter Lists (₹ 20.29 crore).

The savings were partly attributed to non-receipt of demand for furniture and office equipment under Major Head 2014 (₹ 60 lakh) and non-payment of honorarium as per prescribed rate, non-utilisation of the entire provision for National Voters Day by some districts and non-receipt of sanction for payment of bills for printing of photo electoral rolls under Major Head 2015 (₹ 16.89 crore). Reasons for other savings had not been intimated (October 2012).

31-Planning, Economics and Statistics (Revenue Voted): Savings of ₹ 386.38 crore shown under this grant was understated by ₹ 16 crore on account of transfer of funds to 8443-Civil Deposits-800-Other Deposits on 31 March 2012 by exhibiting the same as final expenditure under the scheme “*Jila Navachar Kosh* (Thirteenth Finance Commission)” in the Accounts. Substantial savings occurred mainly under 3451-Secretariat-Economic Services- State Plan Schemes (Normal)-Lump Sum Provision for Plan Schemes (₹ 318.40 crore) and 3454-Census Surveys and Statistics-State Plan Schemes (Normal)- Incentive for Unique Number Identification Agency (Thirteenth Finance Commission) (₹ 31.79 crore).

The savings were mainly due to making sufficient provision in the supplementary estimates of 2011-12 in various State Plan Schemes and non-submission of demand by the Food and Civil Supplies Department for *Aadhar* Card Scheme.

40-Expenditure Pertaining to Water Resources Department-Command Area Development (Revenue Voted): Substantial savings occurred mainly under 2705-Command Area Development-Centrally Sponsored Scheme (Normal)-Command Area Development of Major and Medium Projects (₹ 100 crore). The savings were attributed to non-receipt of sanction from the Government of India.

77-Other Expenditure Pertaining to School Education Department (Excluding Primary Education) (Revenue Voted): Substantial savings occurred mainly under 2202-General Education-Higher Secondary Schools (₹ 199.32 crore), 10+2 Education System in Government Higher Secondary Schools and Vocationalisation of Education (₹ 12.56 crore), Centrally Sponsored Schemes Normal-Information and Communication Technology Schools (₹ 25.60 crore), State Plan Schemes Normal-Upgradation of High Schools into Higher Secondary Schools (₹ 15.83 crore) and Strengthening of High Schools and Upgradation of Middle Schools into High Schools (₹ 21.25 crore) and Centrally Sponsored Schemes Normal-Integrated Education for Disabled in Secondary Schools (I.E.D.S.S) (₹ 13.08 crore). The reasons for savings had not been intimated (October 2012).

06-Finance (Capital Voted): Substantial savings occurred mainly under the following heads:- 6075-Loans for Miscellaneous General Services-Provision for Settlement of Guaranteed Loans (₹ 25 crore), Provision for Settlement of SLR (Standing Liquidity Ratio) Bonds issued by Undertakings and Subordinate Institutions of State Government (₹ 25 crore), Loans Assistance

for restructuring of State Government Undertakings (₹ 50 crore) and 6801-Loans for Power Projects-Loan for Infrastructure Development (₹ 1,400 crore) which was partly offset by excess mainly under 7810-Inter State Settlement (₹ 3.70 crore). Reasons for the savings and excesses had not been intimated (October 2012).

42-Public Works Relating to Tribal Areas Sub-Plan-Roads and Bridges (Capital Voted) : Substantial savings occurred mainly under 5054-Capital Outlay on Roads and Bridges-Up-gradation of State Highway-MPRDC (₹ 37.32 crore), Externally Aided Projects-M.P. Road Development Programme (₹ 20.05 crore), Mineral Area Development Fund-Minimum Need Programme including Rural Roads (₹ 42.57 crore) and Construction of Rural Roads (NABARD) (₹ 19.15 crore), which were partly offset by excess expenditure mainly under the heads construction of Bridges (NABARD) (₹ 7.95 crore) and Central Road Fund (₹ 7.33 crore).

The savings, except under Minimum Needs Programme, were mainly attributed to non-issue of sanctions during the current financial year due to technical reasons under general agreement by M.P. Road Development Corporation, belated issue of sanction of tender proposals for M.P. State Road Development Programme-3 by Asian Development Bank and non-receipt of required demand for works. Reasons for the excess expenditure had not been intimated (October 2012).

57-Externally Aided Projects Pertaining to Water Resources Department (Capital Voted): Substantial savings occurred mainly under 4700-Capital outlay on Major Irrigation-Dam Rehabilitation and Improvement Project (₹ 29.60 crore) and Improvement in Productivity of Pre-Constructed Irrigation Schemes of Five Basins-Water Resources Department (₹ 105.02 crore). Savings were partly attributed to non-issue of sanction of schemes under Drip Irrigation (₹ 28.49 crore) and belated receipt of sanction for construction works from the World Bank and slow progress of works (₹ 3.62 crore). Reasons for other savings had not been intimated (October 2012).

61-Expenditure Pertaining to Bundelkhand Package (Capital Voted): Savings of ₹ 258.29 crore shown in this grant was understated by ₹ 29.68 crore on account of transfer of fund to 8443-Civil Deposits-800-Other Deposits on 31 March 2012 by exhibiting the same as final expenditure in the accounts under the Major Head 4701-Capital outlay on Medium Irrigation and 4702-Capital outlay on Minor Irrigation. Substantial savings occurred mainly under the following heads:- 4401-Capital outlay on Crop Husbandry-102-1503-Additional Central Assistance-Scheduled Castes Sub-Plan-Store and Marketing (₹ 47.45 crore), 102-1501-Additional Central Assistance (Normal)-Store and Marketing (₹ 169.24 crore) and 4701-Capital Outlay on Medium Irrigation-Additional Central Assistance (Normal)-Direction and Administration (₹ 18.14 crore), 4702-Capital outlay on Minor Irrigation-Additional Central Assistance (S.C.S.P. and Normal)-Restoration of Canal Capacity (₹ 20.97 crore), which were partly offset by excess expenditure mainly under 4702-Capital Outlay on Minor Irrigation-Additional Central Assistance (Normal)-New Minor Irrigation Scheme (₹ 23.99 crore).

Savings of ₹ 47.45 crore and ₹ 169.24 crore were attributed to non-receipt of release from the Government of India and ₹ 20.97 crore was due to incurring of expenditure from Deposit head instead of provision made under this scheme. The excess expenditure of ₹ 23.99 crore was attributed to rapid progress of construction work. Reasons for savings of ₹ 18.14 crore had not been intimated (October 2012).

Public Debt (Capital Charged): Significant savings occurred mainly under the following heads:- 6003-Internal Debt of the State Government- Ways and Means Advances (₹ 2,000 crore) and Advances to meet shortfalls (₹ 2,000 crore), 11.50 *per cent* Madhya Pradesh State Development Loan, 2011 (₹ 17.72 crore) and 12 *per cent* Madhya Pradesh State Development Loan, 2011 (₹ 26.06 crore), which were partly offset by excesses under 6003-Internal Debt of the State Government-Loans from HUDCO (₹ 65.69 crore), Special Securities issued to National Small Savings Fund of the Central Government (₹ 228.21 crore) and 6004-Loans and Advances from the Central Government-Loans for Micro Management (₹ 51.65 crore). Excess of ₹ 65.69 crore was due to lump-sum payment of loan received from HUDCO. Reasons for the savings and other excesses had not been intimated (October 2012).

2.3.2 Persistent Savings

In seven grants/appropriations, during the last five years from 2007-08 to 2011-12, there were persistent savings of more than ₹ one crore in each case and also by 20 *per cent* or more of the total provision under the relevant grant/appropriation (Table 2.3).

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

(₹ in crore)

Sl. No.	Number and name of the grant/appropriation	Amount of Savings (<i>Per cent</i> to total grant in brackets)				
		2007-08	2008-09	2009-10	2010-11	2011-12
Revenue-Voted						
1	06-Finance	611.64 (22.20)	624.61 (20.04)	1,434.33 (31.32)	1,501.85 (27.82)	1,966.21 (30.20)
Savings persistently occurred mainly under the various schemes of Major Head 2052-Secretariat-General Services and 2071-Pension and Other Retirement Benefits.						
2	34-Social Justice	9.34 (20.02)	16.75 (24.88)	17.36 (23.97)	43.60 (33.92)	37.74 (27.63)
Savings persistently occurred mainly under the various schemes related to Major Head 2235-Social Security and Welfare.						
3	63-Minority Welfare	1.83 (30.76)	7.11 (48.93)	26.91 (71.38)	20.90 (40.63)	18.33 (32.61)
Savings persistently occurred mainly under the various schemes related to Major Head 2225-Welfare of Scheduled Castes, Scheduled Tribes and Other Backward Classes.						

Revenue-Charged						
4	06-Finance	10.44 (98.40)	10.70 (84.05)	9.99 (78.48)	12.41 (97.49)	14.23 (96.28)
Savings persistently occurred mainly under the schemes 2071-Pension and Other Retirement Benefits-01-101 and 102-Composite State of Madhya Pradesh.						
Capital-Voted						
5	57-Externally aided projects pertaining to Water Resources Department	172.85 (54.13)	111.18 (31.74)	89.69 (25.58)	74.90 (20.68)	142.06 (39.65)
Savings persistently occurred mainly under the various schemes related to Major Head 4700-Capital Outlay on Major Irrigation.						
6	58-Expenditure on Relief on account of Natural Calamities and Scarcity	4.30 (100)	2.50 (100)	2.70 (64.29)	2.93 (69.76)	2.50 (85.62)
Savings persistently occurred mainly under the Major Head 6245-Loans for relief on account of Natural Calamities in the Scheme "Loans for Redressal of water scarcity arising out of Natural Calamities".						
Capital-Charged						
7	Public Debt	2,004.48 (54.45)	1,875.55 (48.89)	3,896.40 (61.94)	3,392.77 (57.29)	3,650.31 (53.68)
Savings persistently occurred mainly under the scheme 6003-110-0779-Advances to Meet Shortfall and 0637-Ways and Means Advances.						

(Source: Appropriation Accounts of respective years)

The persistent savings indicated that the budgetary controls in the concerned Departments were not realistic.

2.3.3 Excess expenditure under schemes

In 42 cases, expenditure aggregating ₹ 3,052.08 crore exceeded the approved provision by ₹ 10 crore or more in each case and also by more than 20 per cent of the provisions made for each scheme. The details are given in **Appendix 2.2 (A)**.

2.3.4 Unutilised provisions under schemes

In 59 cases, the entire provision of ₹ five crore or more in each case aggregating to ₹ 6,873.50 crore remained unutilised. The details are given in **Appendix 2.2 (B)**.

2.3.5 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. If any money has been spent on a service in excess of the amount granted by the State Legislature for the purpose, the Public Accounts

Committee (PAC) shall examine with reference to the facts of the case, the circumstances leading to such an excess and may make recommendation for its regularisation.

The excess expenditure amounting to ₹ 2,879.84 crore for the years 1997-98 to 2000-2001, 2002-03 to 2006-07 and 2008-09 to 2010-11 is yet to be regularised as detailed in **Appendix 2.3**. The year-wise break-up of the amount of excess expenditure pending regularisation is summarised in **Table 2.4**.

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

Year	Number of		Amount of excess over provision (₹ in crore)	Status of Regularisation
	Grants	Appropriations		
1997-1998	10	03	302.79	Explanatory notes submitted by the concerned Department to PAC.
1998-1999	01	-	0.10	Explanatory notes submitted by the concerned Department to PAC.
1999-2000	11	06	1,584.94	Explanatory notes submitted by the concerned Department to PAC.
2000-2001	03	04	265.07	Explanatory notes submitted by the concerned Department to PAC.
2002-2003	03	05	424.79	Explanatory notes submitted by the concerned Department to PAC except ₹ 31,000 in reference of Grant No. 53.
2003-2004	04	03	2.54	Explanatory notes submitted by the concerned Department to PAC except for a sum of ₹ 1.24 crore in respect of Grant No. 68.
2004-2005	13	02	83.66	Explanatory notes submitted by the concerned Department to PAC except for a sum of ₹ 4.09 crore in respect of Grant No. 84 & 86.
2005-2006	04	02	37.58	Explanatory notes submitted by the concerned Department to PAC except for a sum of ₹ 2.27 crore in respect of Grant No. 39.
2006-2007	02	01	35.99	Explanatory notes submitted by the concerned Department to PAC.
2008-2009	02	02	5.80	Explanatory notes submitted by the concerned Department to PAC except ₹ 4.18 crore in respect of Grant No. 62 and 24 (both charged).
2009-2010	04	Nil	123.96	Explanatory notes submitted by the concerned Department to PAC except ₹ 36.35 crore in respect of Grant No. 27 and 49.
2010-2011	Nil	02	12.62	Explanatory notes not submitted by the concerned Department to PAC.
Total	57	30	2,879.84	

2.3.6 Excess over provision during 2011-12 requiring regularisation

Table 2.5 presents the summary of total excesses in four grants and two appropriations amounting to ₹ 135.10 crore and above over authorisation

from the Consolidated Fund of the State during 2011-12, which requires regularisation under Article 205 of the Constitution.

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

(₹ in crore)

Sl. No.	Number and name of the grant/appropriation	Total grant/ appropriation	Expenditure	Excess
Revenue Voted				
1	33 Tribal Welfare	943.61	954.49	10.88
Capital Voted				
2	15 Financial Assistance to Three Tier Panchayati Raj Institutions under Scheduled Castes Sub-Plan	61.86	84.34	22.48
3	52 Financial Assistance to Tribal Area Sub-Plan-Three Tier Panchayati Raj Institutions	19.57	42.84	23.27
4	74 Financial Assistance to Three Tier Panchayati Raj Institutions	159.65	238.10	78.45
Revenue Charged				
5	23 Water Resources Department	0.20	0.22	0.02
Capital Charged				
6	23 Water Resources Department	1.00	1.0011	0.0011
Total		1,185.89	1,320.9911	135.1011

(Source: Appropriation Accounts)

No reasons for the above excesses had been intimated (October 2012).

Non-regularisation of the excess over provision under the grants/appropriations over the years is a breach of legislative control over grants/appropriations.

2.3.7 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision of ₹ 50 lakh or more in each case aggregating ₹ 2,635.93 crore obtained in 51 cases during the year proved unnecessary as the actual expenditure did not come up to the level of even the original provision as detailed in **Appendix 2.4**. In 41 cases, against the additional requirement of ₹ 16,805.12 crore, supplementary provision of ₹ 18,896.23 crore proved excessive, resulting in savings exceeding ₹ 20 lakh in each case, aggregating ₹ 2,091.11 crore (**Appendix 2.5**). In one case, the supplementary provision proved insufficient leaving uncovered excess expenditure of ₹ 10.88 crore as detailed in **Appendix 2.6**.

2.3.8 Excessive/unnecessary re-appropriation/surrender 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-appropriations/surrenders (25 per cent and above) in respect of 40 cases resulted in savings/excess of more than ₹ one crore in each scheme as detailed in **Appendix 2.7**.

2.3.9 Defective sanctions to re-appropriation/surrender of funds

As per instructions (November 2006 and February 2012) of the State Government and its financial rules, (i) all sanctions for re-appropriations/surrenders should be issued before the end of the financial year and should be received in Accountant General (A&E)'s office well in time for incorporation in the accounts, (ii) proper detail of schemes should be furnished and total of sanctions should be correct, (iii) re-appropriation from Capital Head to Revenue Head and vice versa is not permissible, (iv) re-appropriation to new service heads in which no budget provision is provided is not permissible, (v) provision in the concerned heads should be available from which surrenders/re-appropriations are sanctioned, (vi) double issue of sanction is not permissible and (vii) re-appropriation of more than 10 *per cent* of the provision under the object heads salary, wages and office expenses are not permissible without the consent of the Finance Department etc. A total of 28 sanctions for re-appropriation or surrender of ₹ 604.71 crore issued during the year in violation of these instructions were not accepted by the Accountant General (A&E) for inclusion in the accounts. The details are given in **Appendix 2.8**.

2.3.10 Substantial surrenders

Substantial surrenders (more than 50 *per cent* of the total provision) were made in 150 schemes. Out of a total provision ₹ 3,796.07 crore in these schemes, ₹ 3,350.90 crore (88.27 *per cent*) was surrendered. These included 100 *per cent* surrender of ₹ one crore or more in each of the 51 schemes (₹ 2,524.27 crore) (**Appendix 2.9**). The main reasons for the substantial surrenders were attributed to non-receipt of Central share/funds from the Government of India, non-receipt of proposals from Co-operative Bank for conversion of Loans of Farmers, making of sufficient provision in the supplementary estimates of 2011-12 in various State Plan Schemes, non-receipt of allotment from the Finance Department and non-compliance of Government instructions by Urban Bodies. The reasons for surrenders in 18 cases were not intimated (October 2012).

2.3.11 Unrealistic and injudicious surrenders

(A) Surrender in excess of actual savings

In five cases, the amounts surrendered (₹ one crore or more in each case) were in excess of the actual savings indicating lack of or inadequate budgetary control in these Departments. As against savings of ₹ 207.10 crore, the amount surrendered was ₹ 212.01 crore, resulting in excess surrender of ₹ 4.91 crore. The details are given in **Appendix 2.10**.

(B) Surrender even after excess expenditure

In the Tribal Welfare Department an amount of ₹ 0.76 crore was surrendered even though there was already excess expenditure of ₹ 10.87 crore indicating inadequate budgetary control in the Department. The details are given in **Appendix 2.10**.

2.3.12 Anticipated savings not surrendered

According to para 26.9 of the Madhya Pradesh Budget Manual (MPBM), statements of anticipated savings in expenditure are required to be submitted by the Budget Controlling Officers to the Finance Department by 15th January.

At the close of the year 2011-12, there were 18 grants and nine appropriations in which savings of more than ₹ 20 lakh in each case occurred but no part of these were surrendered by the concerned Departments. The amount involved in these cases were ₹ 4,228.13 crore (28.09 *per cent* of the total savings of ₹ 15,053.23 crore) (**Appendix 2.11**).

Similarly, out of the total savings of ₹ 9,752.19 crore under 53 other grants/appropriations having saving of ₹ one crore and above in each grant/appropriation, an amount aggregating ₹ 4,752.15 crore (48.73 *per cent* of the total savings in these schemes) was not surrendered, details of which are given in **Appendix 2.12**. Besides, in 72 Major Heads, (surrender of funds in excess of ₹ 10 crore in each case), savings aggregating ₹ 4,871.71 crore (**Appendix 2.13**) were surrendered on the last date of the financial year, indicating inadequate financial control as a result of which these funds could not be utilised for development purposes.

2.3.13 Rush of expenditure

According to para 26.13 of the Madhya Pradesh Budget Manual (MPBM), rush of expenditure particularly in the closing months of the financial year will ordinarily be regarded as a financial irregularity.

We noticed that in respect of 60 schemes listed in **Appendix 2.14**, expenditure exceeding ₹ 10 crore and also more than 50 *per cent* of the total expenditure in each case, aggregating ₹ 15,888.68 crore (93.61 *per cent* of the total expenditure in these cases) was incurred in March 2012.

As per the provisions of the Madhya Pradesh Treasury Code (MPTC) Part I Sub-Rule 284, no money should be drawn from the treasury unless it is required for immediate disbursement.

During 2011-12, a sum of ₹ 584.33 crore was drawn on 31 March 2012 and transferred to 8443-Civil Deposits-800-Other Deposits by exhibiting it as final expenditure under the relevant scheme in the accounts. This included a sum of ₹ 446.02 crore transferred from the Central Schemes as per details given in **Appendix 2.15**. Thus, funds were drawn to avoid lapse of Central funds which was contrary to the codal provision.

Table 2.6 presents the Major Heads where more than 50 *per cent* expenditure was incurred either during the last quarter or during the last month of the financial year.

Table 2.6 : Cases of Rush of Expenditure towards the end of the Financial Year 2011-12
(₹ in crore)

Sl. No.	Major Head	Total Expenditure during the year	Expenditure during last quarter of the year		Expenditure during March 2012	
			Amount	Percentage of Total Expenditure	Amount	Percentage of Total Expenditure
1	3451	42.78	28.52	66.67	26.54	62.04
2	5452	72.00	43.60	60.56	43.24	60.06
3	2045	320.59	308.07	96.09	306.00	95.45
4	4202	171.72	100.58	58.57	93.44	54.41
5	2425	512.63	307.60	60.00	298.44	58.22
6	2853	887.79	818.49	92.19	796.15	89.68
7	4210	141.57	89.55	63.25	84.52	59.70
8	4250	14.43	11.81	81.84	10.69	74.08
9	6801	15,100.22	13,481.95	89.28	12,747.81	84.42
10	4055	40.94	23.36	57.06	21.68	52.96
11	6856	150.00	150.00	100	150.00	100
	Total	17,454.67	15,363.53	88.02	14,578.51	83.52

(Source: Information provided by the A.G. (A&E))

The percentage of expenditure spent in the month of March to Total Expenditure in respect of 11 Major Heads ranged between 52.96 *per cent* to 100 *per cent* against the proportionate percentage of 8.33 per month indicating deficient financial management and non-maintenance of uniform flow of expenditure which is the primary requirement of budgetary control.

2.3.14 Expenditure incurred without provision

An expenditure of ₹ 358.31 crore was incurred in six cases under two appropriations without provision, the reasons for which have not been intimated (October 2012). The details are given in **Appendix 2.16**.

2.3.15 Non utilisation of Provision for New items of expenditure provided in the Budget

As per schedule of new expenditure, during 2011-12, ₹ 124.20 crore (Scheduled Caste Sub Plan: ₹ 22.58 crore, Tribal Area Sub Plan: ₹ 22.68 crore and Normal : ₹ 78.94 crore) was provided in Grant nos. 15, 52 and 74 under the Major Head 2501-Special Programme for Rural Development for the scheme "Infrastructure Development in Rural Habitat" as new items of expenditure. The same was however neither utilised nor surrendered during the financial year 2011-12, the reasons for which have not been intimated (October 2012).

2.4 Errors in budgeting

2.4.1 Misclassification of budget provisions in demand for grant

During audit of grants statement in the budget, we noticed that under the object heads 45-Grants for Creation of Capital assets, 63-Machines and 64-Major Construction Works in 23 schemes subordinate to Major Heads 2039, 2054, 2055, 2210, 2215, 2225, 2230, 2401, 2402, 2403 and 2801, provision of

₹ three crore or more in each case aggregating ₹ 324.32 crore was misclassified under Revenue Expenditure. In three other schemes subordinate to Major Heads 4515 and 4701 provision of ₹ three crore or more in each case aggregating ₹ 80.32 crore under the Object Head 42-Grants-in-aid was misclassified under Capital Outlay. The details are given in **Appendix 2.17**.

2.4.2 Charged provision

In Grant no. 38-Ayoush, provision of ₹ five lakh (Charged) on account of decretal amount was misclassified under Voted Section in the scheme 2210-02-101-0101-4286-Director of Ayurved and Administration.

The matter was reported to the Director Budget, Finance Department (May 2012); a reply has not been received (October 2012).

2.5 Non-fulfillment of the assurances made in the Budget Speech

The Finance Minister, Government of Madhya Pradesh, while presenting the Budget for the years 2008-09 and 2011-12 before the Legislature announced various schemes and programmes to be implemented for the benefit of the public during the year.

We scrutinised the Budget Speeches for these years and found that in the following cases, the assurances given by the Finance Minister were not fulfilled.

- In the Budget Speech 2011-12, the Finance Minister declared that one of the priority areas of the State Government was arrangement of Drinking Water in Urban Areas. Accordingly, a new scheme for Improvement of Drinking Water in Urban Areas was proposed and budget provision of ₹ 50 crore was made under Grant No. 75 in the head 2217-80-191-0101-6607-Grant for Water Supply Scheme in Urban Areas during 2011-12. We observed that the entire amount remained unutilised and was surrendered on 31 March 2012 due to non- receipt of allotment from the Finance Department.
- The Finance Minister declared provision of ₹ 45 crore during 2011-12 for Development of *Buddhist Paripath*, *Jain Paripath*, Religious Tourism, Heritage Tourism, Upgradation of Link Roads and internal roads, development of Statistical Cell, fair and festival and work related to information technology etc. Out of these funds, an amount of ₹ 14.50 crore (32 *per cent*) relating to Thirteenth Finance Commission Award under the Major Head 5452-Capital Outlay on Tourism in Grant No. 37 was transferred to 8443-Civil Deposits-800-Other Deposits on 31 March 2012, by exhibiting it as final expenditure in the Accounts. Thus, funds to the extent of ₹ 14.50 crore was drawn without requirement and transferred to Deposit Head to avoid lapse of provision.
- Establishment of *Atal Bal Arogya* Mission for the purpose of relieving children from malnutrition and its adverse effects was declared in

Budget Speech 2011-12. A provision of ₹ 88 crore was made for the activities of the Mission under Major Head 2235-Social Security and Welfare in Grant Nos. 55, 41 and 64 against which expenditure of ₹ 83 crore was incurred. Further, Supplementary Provision of ₹ 111 crore was also made for the activities of the Mission under these grants, which however remained unutilised. Thus there was overall savings of ₹ 116 crore under the scheme “Atal Bal Arogya Mission”, of which ₹ 47 crore was surrendered and ₹ 66 crore was re-appropriated to the scheme “Ladli Laxmi Yojna”.

- In the Budget Speech for 2008-09 *Kushabhau Thakre* Contributory Pension Scheme was introduced by the Government to encourage Small Saving Schemes. For this purpose, budget provision of ₹ 51 crore was made in Grants No. 34, 41 and 64 during 2009-10 (₹ one crore), 2010-11 (₹ 40 crore) and 2011-12 (₹ 10 crore), but the same remained unutilised and the entire amount was surrendered. During the previous years 2009-10 and 2010-11, the reasons for non-utilisation and surrender were stated to be due to non-commencement of the scheme. No reasons had been intimated for the year 2011-12 (October 2012).
- Test check (August 2012) of the records of Chief Executive Officer M.P. Rural Road Development Authority Bhopal revealed that as per the Budget Speech of 2011-12, the target for construction of roads during 2011-12 under “*Pradhan Mantri Gramin Sadak Yojna*” was stated to be 9350 Kilometer (Km). However, the actual target fixed for construction was 6815 Km length of roads, against which only 2926 Km length of roads were constructed. The Madhya Pradesh Rural Road Development Authority, Bhopal stated (September 2012) that the target for construction of 9350 Km length was fixed on the basis of achievements in 2009-10 and 2010-11 but the GOI sanctioned grants for only 2852.96 Km length of road and accordingly a target of 2926 Km was achieved. The fact remains that the target announced in the Budget Speech was much higher than the target achieved. The matter was referred to the Government (August 2012); their reply had not been received (October 2012).

2.6 Outcome of Review of Selected Grants

After the voting on Demands for grants has been completed in the Legislative Assembly, an Appropriation Bill is introduced for appropriation out of the Consolidated Fund of the State of all moneys required to meet (a) the grants made by the Assembly and (b) the expenditure charged on the Consolidated Fund. After the Governor’s assent to the Bill is obtained, the amounts shown in the Appropriation Act and the schedules thereof become the sanctioned grants for expenditure under the various Demands.

We reviewed (July/August 2012) the budgetary procedure and control over expenditure pertaining to two grants viz., Grant No. 10- Forests and Grant No. 53- Financial Assistance to Urban Bodies under Scheduled Caste Sub-Plan.

The Principal Chief Conservator of Forest (PCCF), Bhopal is the Budget Controlling Officer (BCO) of Grant No.10 and the Commissioner, Urban Administration and Development, Bhopal and Development Commissioner Bhopal are the Budget Controlling Officers (BCOs) of Grant No.53. The details of amount budgeted for, expenditure and savings under these two Grants are summarised in **Table 2.7**.

Table 2.7: Summary of the reviewed

(₹ in crore)

Particular of Grants	Section	Total Grant	Actual Expenditure	Savings
Grant No.10	Revenue (Voted)	1,283.04	1,088.52	194.52
	Revenue (Charged)	12.53	0.44	12.09
	Capital (Voted)	34.00	33.82	0.18
Grant No.53	Revenue (Voted)	72.75	59.72	13.03
	Capital (Voted)	37.30	26.07	11.23

On reviewing these Grants the following points were noticed:

- A review of these Grants for the year 2011-12 revealed that the Budget Estimates were unrealistic. This led to net savings totaling ₹ 230.87 crore (₹ 194.52 crore and ₹ 13.03 crore in Grants No.10 and 53 respectively under the Revenue Voted Section, ₹ 12.09 crore in Grant No.10 under Revenue Charged Section and ₹ 11.23 crore in Grant No. 53 under Capital Voted Section).
- Substantial savings of ₹ two crore or more and also more than 20 *per cent* of the provision occurred in each case aggregating ₹ 165.60 crore under nine schemes of the test-checked grants during 2011-12 as per details given in **Appendix 2.18**. Under three schemes in Grant No.10, substantial excess expenditure totaling ₹ 3.92 crore during 2011-12 was noticed as per details given in **Appendix 2.19**.
- In three schemes, the supplementary provisions were excess by ₹ 43.82 crore. The details are given in **Appendix 2.20**.
- In Grant No.10, in the following schemes augmentation of funds by re-appropriation was not required. This indicated ineffective monitoring by the Department.

Under the scheme 2406-02-110-2899-National Parks, against the available savings of ₹ four crore, an amount of ₹ 0.97 crore was unnecessarily augmented by re-appropriation which resulted in final savings of ₹ 4.97 crore. Similarly, under the scheme 2406-01-001-3555 Headquarters, against the available savings of ₹ 3.10 crore, an amount of ₹ 2.27 crore was unnecessarily augmented by re-appropriation which resulted in final savings of ₹ 5.37 crore. The BCO stated (July

2012) that the main reasons for savings under the above schemes were delays in selection and appointment of forest guards.

- As per Para 8.3.5(vi) of MPBM, since most of the Government activities are well defined in the List of Major and Minor Heads of Accounts of the Union and States, issued by the Controller General of Accounts, operation of the Minor Head 800-Other Receipts/Expenditure should be minimised. It was observed in Grant No. 10 that under the head 2406-01-800-Other expenditure (voted) expenditure of ₹ 5.69 crore, ₹ 9.36 crore and ₹ 13.18 crore were incurred during the year 2009-10, 2010-11 and 2011-12 respectively which indicate increasing trend during the last three years.

2.7 Conclusion

Against the total provision of ₹ 96,187 crore during 2011-12, an expenditure of ₹ 81,134 crore was incurred. Supplementary provision of ₹ 21,843 crore during 2011-12 proved excessive as there was an overall saving of ₹ 15,053 crore. Major savings were in respect of Finance, Land Revenue, Planning, Economics and Statistics, Water Resources, School Education (excluding Primary Education), Bundelkhand Package and Law and Legislative Affairs Departments, etc. A sum of ₹ 584.33 crore was transferred to Civil Deposit in Public Account and ₹ 4,872 crore was surrendered on the last day of the financial year. Expenditure of ₹ 358 crore was incurred without making necessary provision in the Appropriation Act. There was also rush of expenditure towards the end of the financial year. Re-appropriation/surrender of funds in 40 cases was made injudiciously which resulted in savings/excess in each scheme. Excess expenditure of ₹ 135.10 crore incurred during 2011-12 and ₹ 2,880 crore relating to the period 1997-98 to 2010-2011 was pending regularisation under Article 205 of the Constitution.

2.8 Recommendations

- Budgetary control mechanism should be strengthened in all the Government Departments by proper monitoring of expenditure, timely surrender of funds and avoiding rush of expenditure in the closing months of the financial year.
- Excessive/unnecessary supplementary provision and re-appropriation of funds should be avoided.
- The practice of transfer of funds to Civil Deposit head at the fag end of the financial year after exhibiting it as final expenditure in the Accounts should be reviewed by the State Government.
- Regularisation of excess expenditure pending since 1997-98 may be done on priority basis.