

CHAPTER II 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 the expenditure actually incurred under various grants is within the authorization given under the Appropriation Act and that the expenditure required to be charged under the 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 summarized position of actual expenditure during 2011-12 against 53 Grants/Appropriations (50 Grants and three Appropriations) is indicated in the table below:

**Table 2.1: Summarized 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 | 4352.67 | 1030.30 | 5382.97 | 4618.90 | -764.07 |
| | II Capital | 1986.84 | 795.13 | 2781.97 | 1698.63 | -1083.34 |
| | III Loans and Advances | 2.50 | 0.00 | 2.50 | 0.08 | -2.42 |
| Sub-total Voted: | | 6342.01 | 1825.43 | 8167.44 | 6317.61 | -1849.83 |
| Charged | IV Revenue | 410.01 | 0.35 | 410.36 | 404.01 | -6.35 |
| | V Capital | - | - | - | - | - |
| | VI Public Debt- Repayment | 133.55 | 0.18 | 133.73 | 160.23 | 26.50 |
| Sub-total Charged: | | 543.56 | 0.53 | 544.09 | 564.24 | 20.15 |
| Appropriation to Contingency Fund | | - | - | - | - | - |
| Grand total: | | 6885.57 | 1825.96 | 8711.53 | 6881.85 | -1829.68 |

(Source: Appropriation Accounts)

The overall saving of ₹ 1829.68 crore was the net result of saving of ₹ 1919.06 crore in 44 grants and two appropriations under Revenue Section, 29 grants under Capital Section, offset by excess of ₹ 89.38 crore in ten grants under Revenue Section, two grants under Capital Section and one appropriation (Appropriation no. 2- Interest Payment and Debt Services)¹.

Substantial savings occurred in Planning (Capital voted) (₹ 689.18 crore), Planning (Revenue voted) (₹ 488.59), Irrigation and Flood Control (Capital voted) (₹ 125.43 crore), Public Health Engineering (Capital voted) (₹ 71.29 crore) and Education (Capital voted) (₹ 65.43 crore).

Excess expenditure occurred mainly in Minor Irrigation (Capital voted) (₹ 36.28 crore), Interest Payment and Debt Services under Capital account (₹ 26.51 crore) and Power (Revenue voted) (₹ 15.73 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 53 cases, savings exceeded ₹ one crore in each case or by more than 25 *per cent* of total provision. Details are given in **Appendix-2.1**.

Against the total savings of ₹ 1919.06 crore, savings of ₹ 1757.91 crore (92 *per cent*) occurred in 14 cases relating to 11 grants, where savings were ₹ 15 crore and above in each case. Details are indicated in the table below:

¹ In case of Appropriation no. 2, excess occurred both under Revenue Head and Capital Head.

Table 2.2: List of Grants with savings of ₹ 15 crore and above

(₹ in crore)

| Sl. No. | No. and Name of the Grant | Original | Supplementary | Total | Actual Expenditure | Saving |
|----------------------|--|----------------|----------------|----------------|--------------------|----------------|
| Revenue voted | | | | | | |
| 1 | 7 – Police | 593.92 | 264.27 | 858.19 | 800.68 | 57.51 |
| 2 | 10 – Education | 613.41 | 50.58 | 663.99 | 605.24 | 58.75 |
| 3 | 11 – Medical, Health and Family Welfare | 230.81 | 38.21 | 269.02 | 251.69 | 17.33 |
| 4 | 12 – Municipal Administration, Housing and Urban Development | 82.45 | 0.00 | 82.45 | 51.28 | 31.17 |
| 5 | 14 – Development of Scheduled Tribes and Scheduled Castes Department & Hills | 252.73 | 143.90 | 396.63 | 359.82 | 36.81 |
| 6 | 30 – Planning | 590.75 | 0.00 | 590.75 | 102.16 | 488.59 |
| | Sub-total: | 2364.07 | 496.96 | 2861.03 | 2170.87 | 690.16 |
| Capital voted | | | | | | |
| 7 | 8 – Public Works Department | 150.88 | 329.84 | 480.72 | 439.44 | 41.28 |
| 8 | 10 – Education | 18.37 | 82.69 | 101.06 | 35.63 | 65.43 |
| 9 | 11 – Medical, Health and Family Welfare Services | 32.98 | 136.25 | 169.23 | 140.10 | 29.13 |
| 10 | 22 – Public Health Engineering | 217.68 | 0.00 | 217.68 | 146.39 | 71.29 |
| 11 | 25 – Youth Affairs and Sports Department | 30.94 | 15.23 | 46.17 | 30.96 | 15.21 |
| 12 | 30 – Planning | 824.70 | 0.00 | 824.70 | 135.52 | 689.18 |
| 13 | 40 – Irrigation and Flood Control Department | 292.55 | 7.70 | 300.25 | 174.82 | 125.43 |
| 14 | 47 – Welfare of Minorities and Other Backward Classes | 1.00 | 30.46 | 31.46 | 0.66 | 30.80 |
| | Sub-total: | 1569.10 | 602.17 | 2171.27 | 1103.52 | 1067.75 |
| | Total: | 3933.17 | 1099.13 | 5032.30 | 3274.39 | 1757.91 |

(Source: Appropriation Accounts)

It was seen that in six cases (Sl. No. 2, 6, 10, 12, 13 and 14) the actual expenditure were even less than the original provisions and particularly in respect of three cases (Sl. No. 2, 13 and 14), the supplementary provisions were unnecessary. There was saving of more than ₹ 100 crore in three cases viz. Planning under Revenue Voted (₹ 488.59 crore) and under capital voted (₹ 689.18 crore) and Irrigation and Flood Control under Capital voted (₹ 125 crore).

2.3.2 Persistent savings

In sixteen cases, during the last five years there were persistent savings of more than ₹ 1 crore and above in each case as indicated in the table below:

Table 2.3: List of Grants indicating Persistent Savings during 2007-12

(₹ in lakh)

| Sl. No. | Name of the grant | Amount of savings (per cent of savings vis-à-vis total provision) | | | | |
|-----------------------|--|--|-----------------|------------------|------------------|------------------|
| | | 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 |
| Revenue -Voted | | | | | | |
| 1 | 3 - Secretariat | 149.35 (5) | 586.01 (16) | 616.13 (16) | 563.41 (10) | 224.87 (4) |
| 2 | 4 - Land Revenue, Stamps & Registration and District Administration | 108.52 (4) | 246.96 (7) | 662.90 (17) | 619.44 (12) | 314.90 (5) |
| 3 | 7 - Police | 1096.81 (4) | 2502.51 (7) | 1641.54 (4) | 1746.20 (3) | 5751.12 (7) |
| 4 | 8 - Public Works Department | 5317.95 (30) | 2835.60 (15) | 2689.07 (15) | 1349.63 (8) | 1007.69 (5) |
| 5 | 10 - Education | 1854.10 (5) | 3189.72 (8) | 4497.87 (10) | 8666.14 (14) | 5875.29 (9) |
| 6 | 11 - Medical, Health and Family Welfare Services | 1439.72 (14) | 831.66 (7) | 805.67 (6) | 1209.19 (5) | 1732.86 (6) |
| 7 | 12 - Municipal Administration, Housing and Urban Development | 1626.34 (55) | 173.40 (4) | 156.30 (3) | 409.49 (6) | 3116.64 (38) |
| 8 | 14 - Development of Scheduled Tribes & Scheduled Castes Department & Hills | 121.18 (1) | 594.81 (5) | 1814.14 (12) | 761.62 (3) | 3681.12 (9) |
| 9 | 21 - Commerce & Industries | 929.69 (2) | 1477.73 (32) | 1550.60 (32) | 822.87 (14) | 345.68 (5) |
| 10 | 26 -Administration of Justice | 213.42 (22) | 181.08 (21) | 133.63 (15) | 203.21 (11) | 458.97 (20) |
| 11 | 30- Planning | 13871.53 (63) | 1555.78 (25) | 373.60 (3) | 13187.51 (43) | 48859.30 (83) |
| 12 | 44 - Social Welfare Department | 689.87 (9) | 1246.23 (12) | 2405.70 (21) | 929.13 (6) | 321.34 (2) |
| 13 | 47 - Welfare of Minorities and Other Backward Classes | 838.20 (43) | 228.58 (15) | 430.38 (18) | 260.39 (10) | 982.97 (35) |
| Capital -Voted | | | | | | |
| 15 | 30 - Planning | 3852.84 (9) | 8259.10 (15) | 4300.78 (8) | 2417.69 (4) | 68918.33 (84) |
| 16 | 40 - Irrigation and Flood Control Department | 6312.02 (38) | 2005.97 (9) | 10680.79 (45) | 9673.60 (32) | 12543.07 (42) |

(Source: Appropriation Accounts)

Persistent savings in respect of Irrigation and Flood Control Department has been reported in the Audit Reports since 2008-09.

Reasons for persistent savings were called (January 2013) from the concerned Departments, The reason for persistent saving in case of Police Department was stated (February 2013) to be due to non-finalization of tender for purchase of items/materials. In case of Irrigation and Flood Control Department, it was stated (January 2013) to be due to non-sanction of funds of Accelerated Irrigation Benefits Programme by Central Government. Minorities and Other Backward Classes Department stated (February 2013) that it was due to non-encashment of pre and post matric scholarship. Education (Schools) Department stated (February 2013) that saving was due to non-filling of vacant post while in case of Adult Education it was attributed (January 2013) to non-payment of salary of *ad hoc* staff. Replies in respect of other Departments have not been received.

2.3.3 Excess Expenditure

In six cases, expenditure aggregating ₹ 87.34 crore exceeded the total provisions by ₹ 50 lakh or more in each case. Details are given in the table below:

Table 2.4: Statement showing excess of expenditure by ₹ 50 lakh or more

(₹ in lakh)

| Sl. No. | Grant No. | Total Provision | Expenditure | Excess |
|------------------------|--|-----------------|------------------|----------------|
| Revenue voted | | | | |
| 1 | 22 – Public Health Engineering | 6176.42 | 6455.40 | 278.98 |
| 2 | 23 –Power | 25317.52 | 26890.93 | 1573.41 |
| 3 | 39 –Sericulture | 2675.92 | 2774.84 | 98.92 |
| Revenue charged | | | | |
| 4 | Appropriation No. 2 – Interest Payment and Debt Services | 39239.50 | 39744.03 | 504.53 |
| Capital voted | | | | |
| 5 | 36 – Minor Irrigation | 6810.97 | 10439.06 | 3628.09 |
| Capital charged | | | | |
| 6 | Appropriation No. 2 – Interest Payment and Debt Services | 13372.64 | 16023.45 | 2650.81 |
| Total: | | 93592.97 | 102327.71 | 8734.74 |

(Source: Appropriation Accounts)

Audit noticed that in three cases the expenditure exceeded ₹ 10 crore *viz.* Minor Irrigation (Capital voted) (₹ 36.28 crore), Appropriation No. 2 (₹ 26.51 crore) under Capital Charged and Power (Revenue voted) (₹ 15.73 crore).

2.3.4 Expenditure without provision

Expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹ 126.26 lakh was incurred in 12 cases (**Appendix-2.2**) without any provision of funds in the original estimates/supplementary demand and without any re-appropriation orders to this effect.

In one case, Development of Progeny Orchards (Hill) under Horticulture and Soil Conservation (State Plan)² expenditure without provision of fund exceeded ₹ fifty lakh viz. ₹ 94.84 lakh.

2.3.5 Drawal of funds to avoid lapse of budget grant

As per provisions of Rule 290 of Central Treasury Rules, no money shall be drawn from the treasury unless it is required for immediate disbursement. In respect of the cases mentioned in **Appendix-2.3**, ₹ 206.06 crore drawn at the fag end of the year during March 2012 were deposited into the head of account “8449-Other Deposits” to avoid lapse of budget grant.

2.3.6 Excess over provisions relating to previous years requiring regularization

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularized by the State Legislature. Although no time limit for regularization of expenditure has been prescribed under the Article, regularization of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure amounting to ₹ 276.02 crore for the years 2007-11 was yet to be regularized as detailed in **Appendix-2.4**. The year-wise amount of excess expenditure pending regularization for grants/appropriations is summarized in the table below:

Table 2.5: Excess over provisions relating to previous years requiring regularization
(₹ in crore)

| Year | No. of Grants | No. of Appropriation | Amount of excess | Status of Regularization (as of December 2012) |
|---------------|---------------|----------------------|------------------|--|
| 2007-08 | 11 | 2 | 81.59 | Regularized vide 37 th PAC Report. Receipt of Act for regularization of excess payment awaited from the Finance Department. |
| 2008-09 | 14 | -- | 102.87 | -do- |
| 2009-10 | 10 | 1 | 29.14 | -do- |
| 2010-11 | 6 | 1 | 62.42 | Excess expenditure yet to be discussed by PAC. |
| Total: | 41 | 4 | 276.02 | |

(Source: Appropriation Accounts)

2.3.7 Excess over provisions during 2011-12 requiring regularization

The table below contains the summary of total excess over authorization in 14 cases³ amounting to ₹ 89.38 crore from the Consolidated Fund of the State during 2011-12 and requires regularization under Article 205 of the Constitution.

² Under Grant No. 43, under Major Head-2552 (NEC).800.08(H)

³ 12 Grants/Appropriation

Table 2.6: Excess over provisions requiring regularization during 2011-12

| (in ₹) | | | | |
|------------------------|--|--------------------|--------------------|------------------|
| Sl. No. | Number and title of grant/appropriation | Total provision | Expenditure | Excess |
| Revenue Voted | | | | |
| 1 | 13 – Labour and Employment | 148050000 | 152397376 | 4347376 |
| 2 | 16 – Co-operation | 166363000 | 168487834 | 2124834 |
| 3 | 22 –Public Health Engineering | 617642000 | 645539751 | 27897751 |
| 4 | 23 –Power | 2531752000 | 2689092740 | 157340740 |
| 5 | 28 –State Excise | 167593000 | 171848559 | 4255559 |
| 6 | 36 –Minor Irrigation | 106599000 | 109263340 | 2664340 |
| 7 | 37 –Fisheries | 267420000 | 270344472 | 2924472 |
| 8 | 39 –Sericulture | 267592000 | 277484331 | 9892331 |
| 9 | 45 –Tourism | 56091000 | 57257033 | 1166033 |
| 10 | 49 –Economics and Statistics | 121901000 | 122942304 | 1041304 |
| | Sub total: | 4451003000 | 4664657740 | 213654740 |
| Revenue Charged | | | | |
| 11 | Appropriation No. 2 - Interest Payment & Debt Services | 3923950000 | 3974403437 | 50453437 |
| | Sub total: | 3923950000 | 3974403437 | 50453437 |
| Capital Voted | | | | |
| 12 | 3 – Secretariat | 36400000 | 38166000 | 1766000 |
| 13 | 36 – Minor Irrigation | 681097000 | 1043906318 | 362809318 |
| | Sub total: | 717497000 | 1082072318 | 364575318 |
| Capital Charged | | | | |
| 14 | Appropriation No. 2 – Interest Payment & Debt Services | 1337264000 | 1602345169 | 265081169 |
| | Sub total: | 1337264000 | 1602345169 | 265081169 |
| | Total: | 10429714000 | 11323478664 | 893764664 |

(Source: Appropriation Accounts)

2.3.8 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating to ₹ 97.21 crore in 10 cases, during the year proved unnecessary as the expenditure did not come up to the level of original provision.

Out of these, in two cases unnecessary supplementary provisions provided exceeded ₹ 10 crore viz. Education (₹ 50.59 crore) under Revenue account and Welfare of Minorities and Other Backward Classes (₹ 30.47 crore) under Capital account. The details are given in the table below:

Table 2.7: Statement showing unnecessary supplementary provision

(₹ in lakh)

| Sl. No. | Grant No. | Original provision | Expenditure | Savings out of Original Provision | Supplementary |
|------------------------|--|--------------------|-----------------|-----------------------------------|----------------|
| Revenue voted | | | | | |
| 1 | 2- Council of Ministers | 365.28 | 266.06 | 99.22 | 1.89 |
| 2 | 3 – Secretariat | 4860.06 | 4817.91 | 42.15 | 182.72 |
| 3 | 10- Education | 61340.94 | 60524.29 | 816.65 | 5058.64 |
| 4 | 38-Panchayat | 4308.46 | 3106.21 | 1202.25 | 88.98 |
| 5 | 47-Welfare of Minorities and Other Backward Classes | 2614.87 | 1853.25 | 761.62 | 221.35 |
| 6 | 48- Relief and Disaster Management | 971.93 | 921.67 | 50.26 | 333.70 |
| Revenue Charged | | | | | |
| 7 | 1-State Legislature | 46.35 | 35.47 | 10.88 | 5.08 |
| 8 | Appn 1- Governor | 299.27 | 288.87 | 10.40 | 12.73 |
| Capital voted | | | | | |
| 9 | 40- Irrigation and Flood Control Department | 29255.00 | 17481.72 | 11773.28 | 769.79 |
| 10 | 47- Welfare of Minorities and Other Backward Classes | 100.03 | 66.09 | 33.94 | 3046.53 |
| Total: | | 104162.19 | 89361.54 | 14800.65 | 9721.41 |

(Source: Appropriation Accounts)

In 12 cases, supplementary provision of ₹ 74.64 crore proved insufficient by more than ₹ 10 lakh in each case, leaving an aggregate uncovered excess expenditure of ₹ 48.05 crore. Details are given in the table below:

Table 2.8: Statement showing insufficient supplementary provision by more than ₹ 10 lakh
(₹ in lakh)

| Sl. No. | Grant No. | Original | Supple- mentary | Total | Expendi- ture | Excess |
|---------|---|-----------------|--------------------|-----------------|------------------|----------------|
| | Revenue Voted | | | | | |
| 1 | 13-Labour and Employment | 1294.01 | 186.49 | 1480.50 | 1523.97 | 43.47 |
| 2 | 16- Co-operation | 1411.07 | 252.56 | 1663.63 | 1684.88 | 21.25 |
| 3 | 22- Public Health Engineering | 4339.57 | 1836.85 | 6176.42 | 6455.40 | 278.98 |
| 4 | 23- Power | 21005.49 | 4312.03 | 25317.52 | 26890.93 | 1573.41 |
| 5 | 28- State Excise | 1371.49 | 304.44 | 1675.93 | 1718.49 | 42.56 |
| 6 | 36- Minor Irrigation | 925.54 | 140.45 | 1065.99 | 1092.63 | 26.64 |
| 7 | 37- Fisheries | 2589.46 | 84.74 | 2674.20 | 2703.45 | 29.25 |
| 8 | 39- Sericulture | 2661.13 | 14.79 | 2675.92 | 2774.84 | 98.92 |
| 9 | 45- Tourism | 488.53 | 72.38 | 560.91 | 572.57 | 11.66 |
| 10 | 49- Economics and Statistics | 1091.50 | 127.51 | 1219.01 | 1229.42 | 10.41 |
| | Capital Voted | | | | | |
| 11 | 3- Secretariat | 250.00 | 114.00 | 364.00 | 381.66 | 17.66 |
| | Capital Charged | | | | | |
| 12 | Appropriation 2 – Interest Payment and Debt Services | 13355.14 | 17.50 | 13372.64 | 16023.45 | 2650.81 |
| | Total: | 50782.93 | 7463.74 | 58246.67 | 63051.69 | 4805.02 |

(Source: Appropriation Accounts)

In two cases the excess of expenditure of more than ₹ 15 crore occurred despite providing supplementary provision *viz.* Power (₹ 15.73 crore) under Revenue account and Appropriation no.2-Interest payment and Debt Services (₹ 26.51 crore) under Capital account.

2.3.9 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 insufficient by ₹ 1 crore or more in each case and resulted in excess of expenditure of ₹ 184.57 crore in 33 sub-heads. Injudicious re-appropriation also proved excessive in 63 sub-heads resulting in savings of ₹ 419.58 crore. This resulted in overall savings of ₹ 235.01 crore in these 96 sub-heads as detailed in **Appendix-2.5**.

Despite re-appropriation, there were savings of ₹ 30 crore or more in three cases *viz.*, Irrigation and Flood Control Department (4700.03.051.11 (Valley)) (₹ 77.38 crore), Irrigation and Flood Control Department (4700.04.051.12 (Hill)) (₹ 40.34 crore) and Education Department (2202.01.101.19) (₹ 34.75 crore).

On the excess side, there were two cases in which excess of expenditure exceeded more than ₹ 20 crore *viz.*, Planning Department (4702.00.800.03 (Valley)) (₹ 26.50 crore) and Education Department (2202.02.109.24) (₹ 20.55 crore).

2.3.10 Substantial surrenders

Substantial surrenders (amount exceeding ₹ 10 crore in each case) were made in respect of 16 sub-heads, out of which in twelve schemes/programmes, the whole provision amounting to ₹ 649.60 crore was surrendered. The details are given in **Appendix-2.6**. Planning Department accounts for majority (15 cases) of substantial surrender. Surrender of *cent per cent* of fund involving a substantial amount of ₹ 649.60 crore is a matter of concern and indicates that fund provisions had been made without adequate planning and due consideration of its requirements.

2.3.11 Surrender in excess of actual saving

In two cases, the amount surrendered was in excess of actual savings indicating lack of or inadequate budgetary control in these departments. Against savings of ₹ 5.52 crore, the surrendered amount was ₹ 7.33 crore resulting in excess surrender of ₹ 1.81 crore as shown in the table below:

Table 2.9: Cases of surrender in excess of savings

(₹ in lakh)

| Sl. No. | Grant No. | Total | Expenditure | Saving | Surrender | Amount surrendered in excess |
|---------|---|----------------|--------------|---------------|---------------|------------------------------|
| 1 | 20 – Community Development and ANP, IRDP and NREP | 11685.85 | 11362.13 | 323.72 | 503.57 | 179.85 |
| 2 | 46 – Science and Technology | 968.92 | 740.89 | 228.03 | 229.31 | 1.28 |
| | Total: | 12654.8 | 12103 | 551.75 | 732.88 | 181.13 |

(Source: Appropriation Accounts)

2.3.12 Surrender despite excess of expenditure

In one case *viz.* Minor Irrigation (Capital voted), an amount of ₹ 226.46 crore was surrendered despite having excess of expenditure over total provision.

Table 2.10: Statement showing cases of surrender despite excess of expenditure

(₹ in lakh)

| Grant No. | Total Provision | Expenditure | Excess | Surrender |
|--------------------------------------|-----------------|-----------------|----------------|---------------|
| 36 –Minor Irrigation (Capital Voted) | 6810.97 | 10439.06 | 3628.09 | 226.46 |
| Total: | 6810.97 | 10439.06 | 3628.09 | 226.46 |

(Source: Appropriation Accounts)

Surrender of fund provision when there were excess of expenditure over budgetary provision shows total absence of budgetary control.

2.3.13 Anticipated savings not surrendered

Departments are required to surrender the Grants/Appropriations or portion thereof to the Finance Department as and when the savings are anticipated. At

the close of the year 2011-12, there were, however, 39 Grants/Appropriations (56 cases) in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in these cases was ₹ 591.17 crore (32 *per cent* of the overall savings of ₹ 1829.68 crore) (**Appendix-2.7**).

Similarly, out of savings of ₹ 1906.27 crore under 32 Grants/Appropriations (43 cases) where savings was ₹ one crore and above in each case, only ₹ 961.74 crore pertaining to fifteen grants⁴ could be surrendered leaving a balance savings of ₹ 944.53 crore (49.55 *per cent*). Details are given in **Appendix-2.8**.

Besides, in 17 Grants (20 cases), ₹ 971.70 crore were surrendered on 31 March 2012 (**Appendix-2.9**) indicating inadequate financial control and the fact that these funds could not be utilized for the purpose it was sanctioned for other development purposes.

2.3.14 Rush of expenditure

As per Rule 56 (3) of the General Financial Rules, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, in respect of 26 major heads of accounts as listed in **Appendix-2.10**, expenditure more than ₹ 10 crore and 25 *per cent* of the total expenditure for the year was incurred in March 2012. Of these, in 4 cases involving ₹ 92.88 crore⁵, the whole amount was incurred in March, indicating there was no control over the flow of expenditure.

2.4 Non-reconciliation of Departmental figures

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

As per Central Treasury Rules⁶, Abstract Contingent (AC) bills must be regularized by detailed countersigned contingent (DCC) bills. An AC bill should not be encashed without a certificate to the effect that DCC bills in respect of earlier AC bills drawn more than a month before the date of that bill have been submitted to the controlling officer. The controlling officers must submit the DCC bills to the Accountant General within one month from the date of receipt of the DCC bills in his office.

The total amount of DCC bills received during the period 2003-12 was ₹ 1463.60 crore against the amount of AC bills of ₹ 2411.95 crore leading to an outstanding balance of DCC bills of ₹ 948.35 crore as on November 2012. Year wise details are given in the table below:

⁴ Grants no. 12, 17, 30, 41, 42, 44 and 50 under Revenue Voted and Grant no. 26 under Revenue Charged and Grant no. 13, 14, 21, 22, 30, 37, 41 under Capital voted.

⁵ Sl. No. 1, 16, 20 and 21 of Appendix 2.10

⁶ Rule 308, Rule 309 & Note 4 under Rule 312

Table 2.11: Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills⁷

(₹ in crore)

| Year | Amount of AC bills | Amount of DCC bills | DCC bills as percentage of AC bills | Outstanding DCC bills |
|---------------|--------------------|---------------------|-------------------------------------|-----------------------|
| 2003-04 | 34.56 | 13.78 | 39.87 | 20.78 |
| 2004-05 | 82.53 | 77.65 | 94.09 | 4.88 |
| 2005-06 | 46.01 | 37.52 | 81.55 | 8.49 |
| 2006-07 | 149.68 | 104.82 | 70.03 | 44.86 |
| 2007-08 | 355.57 | 262.99 | 73.96 | 92.58 |
| 2008-09 | 592.34 | 521.72 | 88.08 | 70.62 |
| 2009-10 | 422.83 | 293.59 | 69.43 | 129.24 |
| 2010-11 | 354.36 | 130.85 | 36.93 | 223.51 |
| 2011-12 | 374.07 | 20.68 | 5.53 | 353.39 |
| Total: | 2411.95 | 1463.60 | | 948.35 |

(Source: Voucher Level Computerization data of O/o AG (A&E))

Department-wise pending DCC bills for the years up to 2011-12 is detailed in **Appendix-2.11**. Non-adjustment of advances for long periods is fraught with the risk of mis-appropriation and therefore, requires close monitoring by the respective DDOs. Thus, there is a need of early reconciliation of AC bills.

2.4.2 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, 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. Even 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 2011-12 also. Out of 81 controlling officers (CO), 29 COs could not reconcile any of their accounts with Accountant General (A & E) office. During the last three years, 19 COs⁸ have not at all reconciled their accounts with the Accountant General (A & E). Thus, in the absence of reconciliation of expenditure by the Cos the accuracy of figures cannot be ensured.

⁷ Discrepancy in figure between VLC data and Finance Accounts is under reconciliation with Departments. Figures of VLC data is being adopted to keep uniformity with the earlier Audit Reports.

⁸ Chief Engineer(Minor Irrigation), Chief Engineer(Power), Chief Engineer(IFCD), Chief Engineer (PHED), D.C(Churachandpur), D.C. (Chandel), D.C.(Ukhrul), D.C.(Tamenglong), Director (Tourism), Director (Youth Affair & Sports), Director(Agriculture), Director(Economics. & Statistics), Director(Fisheries), Director (Local Fund Audit), Director (Education (S) & (U)), Director (RD &PR), Principal Chief Conservator of Forest and Secretary(Assembly Secretariat)

2.5 Personal Deposit Accounts

Personal Deposit (PD) Accounts is created for parking funds by debit to the Consolidated Fund of the State and should be closed at the end of the financial year by minus debit to the relevant service heads. However, in the state there were four PD accounts existing at the beginning of the year 2011-12 viz., Planning and Development Authority, Manipur State Lotteries, Apex Housing Co-operative Society and Consumer Affairs and Public Distribution. There were two PD accounts in two District Treasuries⁹ which were opened during 2011-12. Of these accounts, one PD accounts¹⁰ was closed as of 31 March 2012 and balance of ₹ 71.29 crore remained with these accounts which was not transferred back to the respective service heads as of 31 March 2012.

2.6 Outcome of review of selected grant

A review on budgetary procedure and control over expenditure was conducted (December 2012) in respect of “Grant No. 18 – Animal Husbandry and Veterinary Department”.

Against a budget provision of ₹ 69.69 crore (including supplementary provision of ₹ 14.80 crore) under revenue head, the actual expenditure was ₹ 62.34 crore resulting in saving of ₹ 7.36 crore. In view of the final savings of ₹ 7.36 crore, the supplementary provision of ₹ 14.80 crore obtained during the year was more than what was required. Under capital account, the actual expenditure was ₹ 8.27 crore against budget provision of ₹ 10.78 crore (including supplementary provision ₹ 4.88 crore), resulting in saving of ₹ 2.51 crore. As such, supplementary provision of ₹ 4.88 crore was more than what was required. Under both revenue and capital accounts no surrender of fund was made in anticipation of the savings.

Cases of Savings (10 cases), expenditure without budget provision (four cases) and Excess expenditure over provision (10 cases) noticed during the review are detailed below:

Saving: There were ten cases where *cent per cent* saving for a total amount of ₹ 119 lakh had occurred. One of these cases related to a centrally sponsored scheme of investigation and statistics. Of these, 45 *per cent* of the savings had occurred in matters relating to administrative and construction works (Sl. No. 2, 3 and 10 below).

⁹ Government Oil Depot and Raw Material Bank both in Imphal West Treasury.

¹⁰ Raw Material Bank

Table 2.12: Cases where no part of budget provision was utilized

| (₹ in lakh) | | | |
|---------------|--|------------------------|---------|
| Sl. No. | Head of account | Total provision(O+S+R) | Savings |
| 1 | 2403(SP) – Animal Husbandry 001 – Direction and Administration 01(H) - Direction | 5.00 | 5.00 |
| 2 | 2403(SP) – Animal Husbandry 101 – Veterinary Services and Animal Health 08(H) - Disease Investigation Laboratory | 6.00 | 6.00 |
| 3 | 2403(SP) – Animal Husbandry 101 – Veterinary Services and Animal Health 09(H) – District and Sub divisional Veterinary Hospital | 3.00 | 3.00 |
| 4 | 2403(SP) – Animal Husbandry 102 – Cattle and Buffalo Development 12(H) – Frozen Semen Laboratory/Semen Bank | 8.00 | 8.00 |
| 5 | 2403(SP) – Animal Husbandry 102 – Cattle and Buffalo Development 30(H) – Strengthening of Cross Breed Cattle farm, Turibari | 5.00 | 5.00 |
| 6 | 2403(SP) – Animal Husbandry 105 – Piggery Development 22(H) – Regional Pony Development Project | 2.00 | 2.00 |
| 7 | 2403(SP) – Animal Husbandry 109 – Extension and Training 04 (H) – B.V.Sc./F.A. & Farmers Training Programme | 6.00 | 6.00 |
| 8 | 2403(SP) – Animal Husbandry 113 –Administrative Investigation and Statistics 02(H) – 50% State Share of Centrally Sponsored Schemes | 19.00 | 19.00 |
| 9 | 2403(SP) – Animal Husbandry 195 – Assistance to Animal Husbandry Co-operatives 14(H) – Integrated Poultry/Piggery/Dairy development Programme Search Programme | 20.00 | 20.00 |
| 10 | 4403(SP) – Animal Husbandry 800 – Other Expenditure 03(H) – Animal Husbandry Buildings | 45.00 | 45.00 |
| Total: | | 119 | |

(Source: Detail Appropriation Accounts)

Expenditure without budget provision

In four cases relating to departmental farms, an expenditure of ₹ 6.19 lakh was incurred without budget provision. The details are given below:

Table 2.13: Expenditure without provision

| Head of accounts | (₹ in lakh) Expenditure |
|---|----------------------------|
| 2403(SP) – Animal Husbandry 102 – Cattle and Buffalo Department 05(H) – Buffalo Breeding Farm | 0.08 |
| 2403(SP) – Animal Husbandry 102 – Cattle and Buffalo Development 30(V) – Strengthening of Cross Breed Cattle Farm, Turibari | 3.24 |
| 2403(SP) – Animal Husbandry 106 – Other Livestock Development 22(V) – Regional Pony development Project | 1.91 |
| 2403(SP) – Animal Husbandry 107 – Fodder and Feed Development 11(H) – Fodder Farms | 0.96 |
| Total : | 6.19 |

(Source: Detail Appropriation Accounts)

Excess over provision: In 10 cases, expenditure exceeded the budget provisions by ₹ 134.76 lakh, reasons of which had not been furnished. The details are given in the table below:

Table 2.14: Excess over provision

(₹ in lakh)

| Sl. No. | Head of account | Total (O+ S) | Expenditure | Excess |
|---------|--|----------------|----------------|---------------|
| 1 | 2403 – Animal Husbandry 001-Direction and Administration 01 - Direction | 705.54 | 784.99 | 79.45 |
| 2 | 2404 – Dairy Development 109 – Extension & Training 06 - Extension & Training | 0.50 | 0.70 | 0.20 |
| 3 | 2403 – Animal Husbandry 101 – Veterinary Services and Animal Health 08(V) – Disease Investigation Laboratory | 25.00 | 26.49 | 1.49 |
| 4 | 2403 – Animal Husbandry 102 – Cattle and Buffalo Development 05(V) – Buffalo Breeding Farm | 7.00 | 8.30 | 1.30 |
| 5 | 2403 – Animal Husbandry 102 – Cattle and Buffalo Development 12(V) – Frozen Semen Laboratory/Semen Bank | 21.00 | 28.98 | 7.98 |
| 6 | 2403 – Animal Husbandry 105 – Piggery Development 18(V) – Piggery Farms | 22.50 | 26.98 | 4.48 |
| 7 | 2403 – Animal Husbandry 109 – Extension and Training 04(V) – B.V.Sc./F.A. & Farmers training Programme | 5.00 | 10.90 | 5.90 |
| 8 | 2403 – Animal Husbandry 109 – Extension and Training 31(V) – Composite demonstration Units | 2.00 | 2.32 | 0.32 |
| 9 | 2404 – Dairy Development 102 – Dairy Development Projects 25(V) – Rural Dairy Centres | 25.00 | 27.68 | 2.68 |
| 10 | 4403 – Capital Outlay on Animal Husbandry 800 – Other Expenditure 03(V) – Animal Husbandry Buildings | 445.00 | 475.96 | 30.96 |
| | Total | 1258.54 | 1393.30 | 134.76 |

(Source: Detail Appropriation Accounts)

2.7 Errors in budgeting process

The following lapses or errors were observed in the State budget for the year 2011-12:

Incorrect/Unauthorized heads of accounts: There were 16 heads of accounts in the budget which did not conform with the list of Major and Minor heads of Accounts. Of these nine cases pertained to Minor heads, six cases related to Sub Major head and one case was for Sub head against which the name of the scheme was not indicated. In case of Sub Major head, the code reflected in the budget was not listed in the list of Major and Minor Head and therefore was unauthorized.

Error in respect of heads of Grants-in-aid: In 141 cases, the scheme under which the Grants-in-aid was given had not been indicated against the Sub head. In all these cases, the recipient agencies had not been indicated the Detailed head.

2.8 Conclusion and recommendations

During 2011-12, an expenditure of ₹ 6881.85 crore was incurred against a total budget provision of ₹ 8711.53 crore, resulting in overall saving of ₹ 1829.68 crore. The overall savings was the net result of saving of ₹ 1919.06 crore offset by excess of ₹ 89.38 crore. The excess requires regularization under Article 205 of the Constitution of India. Excess expenditure amounting to ₹ 276.02 crore for the period 2007-11 are still awaiting regularization, despite recommendation of the Public Accounts Committee to regularize the excess expenditure (paras 2.2 and 2.3).

Supplementary provision aggregating ₹ 97.21 crore in 10 cases was unnecessary as the expenditure did not come up to the level of original provision while in 12 cases, supplementary provision of ₹ 74.64 crore proved insufficient by more than ₹ 10 lakh in each case. Substantial surrenders (amount exceeding ₹ 10 crore in each case) were made in respect of 16 sub-heads, out of which in twelve schemes/programmes, the whole provision amounting to ₹ 649.60 crore was surrendered. There was one case in which an amount of ₹ 2.26 crore was surrendered despite having excess expenditure over the total provision (Para 2.3).

Out of ₹ 2411.95 crore paid through Abstract Contingent (AC) bills during 2003-12, Detailed Countersigned Contingent bills for ₹ 948.35 crore are outstanding as on November 2012 (Para 2.4).

The Government should regularize the excess expenditure as it is not only a violation of constitutional provision but also a disregard of the recommendations made by the PAC. Provision of funds through supplementary provisions should be used as an instrument to fine tune the flow of expenditure and should be applied in a judicious manner so that budget provisions and actual expenditure are convergent to each other as nearly as possible. A close and rigorous monitoring mechanism should be put in place to adjust AC bills within thirty days from the date of drawal of the amount, and the Government needs to take a firm action to arrest the trend of rising drawal of Abstract Contingent Bills and pendency in submission of Detailed Countersigned Contingent Bills.