

CHAPTER 2

Financial Management and Budgetary Control

This chapter outlines the Government's financial accountability and budgetary practices.

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 charged appropriations 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 and indicate the 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. The Appropriation Accounts thus, facilitate management of finances and monitoring of budgetary provisions and are, therefore, complementary to the Finance Accounts.

Audit of the appropriations seeks to ascertain whether the expenditure actually incurred under various grants is within the authorization given in the Appropriation Act and that the expenditure required to be charged under the provisions of the Constitution of India is so charged. It also ascertains whether the expenditure incurred is in conformity with the laws, relevant rules, regulations and instructions.

2.1 Summary of the Appropriation Accounts

The summarized position of actual expenditure *vis-à-vis* budgetary provisions during 2011-12 for the total 30 grants/appropriations is given in the **Table 2.1**.

Table 2.1: Summarized position of actual expenditure *vis-à-vis* original/supplementary provisions

<i>(₹ in crore)</i>						
	Nature of expenditure	Original grant/ Appropriation	Supplementary grant/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	28779.35	2655.37	31434.72	27289.98	(-)4144.74
	II Capital	5465.34	231.73	5697.07	1874.35	(-)3822.72
	III Loans and Advances	37.35	9.76	47.11	47.61	(+)0.50
Total Voted		34282.04	2896.86	37178.90	29211.94	(-)7966.96
Charged	IV Revenue	6626.38	13.76	6640.14	6382.69	(-)257.45
	V Capital	0	0	0	0	0
	VI Public Debt- Repayment	7686.41	938.51	8624.92	8947.24	(+)322.32
Total Charged		14312.79	952.27	15265.06	15329.93	(+)64.87
Appropriation to Contingency Fund		0	0	0	0	0
Grand Total		48594.83	3849.13	52443.96	44541.87	(-)7902.09

Source: Appropriation Accounts

Note: The expenditure includes the recoveries of ₹ 627.36 crore adjusted as reduction of expenditure under Revenue expenditure and ₹ 147.22 crore under Capital expenditure.

The actual expenditure during 2011-12 was ₹ 44,541.87 crore against the original budgetary provisions of ₹ 48,594.83 crore. The supplementary

provisions of ₹ 3,849.13 crore were, thus, found unnecessary. The overall saving of ₹ 7,902.09 crore (15.07 *per cent* of total budget provision) was the net result of savings of ₹ 8,803.45 crore in all the 30 grants (*Appendix 2.1*) set off by excess of ₹ 901.36 crore in three grants (*Table 2.5*).

On this being pointed out (October 2012), the Finance Department stated (November 2012) that necessary action was being taken to prepare accurate budget estimates to avoid savings.

2.2 Financial accountability and budget management

2.2.1 Appropriation vis-à-vis allocative priorities

The outcome of audit of the appropriations reveals that in 18 cases (13 out of the total 30 grants), the savings (excluding surrenders) exceeded by ₹ 100 crore or by more than 50 *per cent* of the total provision in each case (*Table-2.2*). Against net savings of ₹ 7,902.09 crore in all the 30 grants, savings of ₹ 5,353.37 crore (67.75 *per cent*) occurred in five grants¹ only.

¹ Grant No. 5-Education (₹ 871.66 crore+ ₹ 395.89 crore), 15-Irrigation and Power (₹ 157.62 crore + ₹ 483.00 crore), 17-Local Government, Housing and Urban Development (₹ 299.34 crore + ₹ 1,270.48 crore), 23-Rural Development and Panchayats (₹ 816.28 crore + ₹ 351.04 crore) and 25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes (₹ 708.06 crore)= ₹ 5,353.37 crore.

Table 2.2: List of grants having large savings

(₹ in crore)

Sr. No.	Number and Name of the grant	Total Budget Provision	Actual expenditure	Savings	Surrenders	Savings excluding surrender	Percentage
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	(Revenue-Voted) 1-Agriculture and Forests	781.60	457.58	324.02	167.06	156.96	20.08
2.	5-Education	6067.20	5192.08	875.12	3.46	871.66	14.37
3.	9-Food and Supplies	489.45	252.99	236.46	10.78	225.68	46.11
4.	11-Health and Family Welfare	1855.37	1612.60	242.77	0	242.77	13.08
5.	12-Home Affairs and Justice	3594.09	3416.40	177.69	8.75	168.94	4.70
6.	13-Industries	174.28	53.36	120.92	0	120.92	69.38
7.	15-Irrigation and Power	4430.39	4210.12	220.27	62.65	157.62	3.56
8.	17-Local Government, Housing and Urban Development	417.34	118.00	299.34	0	299.34	71.73
9.	22-Revenue and Rehabilitation	1231.68	989.20	242.48	0	242.48	19.69
10.	23-Rural Development and Panchayats	1615.05	798.77	816.28	0	816.28	50.54
11.	25-Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes	1958.85	1250.79	708.06	0	708.06	36.15
12.	(Capital-Voted) 5-Education	504.25	108.36	395.89	0	395.89	78.51
13.	11-Health and Family Welfare	202.76	47.59	155.17	0	155.17	76.53
14.	15-Irrigation and Power	1148.94	358.59	790.35	307.35	483.00	42.04
15.	17-Local Government, Housing and Urban Development	1306.34	35.86	1270.48	0	1270.48	97.25
16.	21-Public Works	1086.37	780.19	306.18	0	306.18	28.18
17.	23-Rural Development and Panchayats	541.22	190.18	351.04	0	351.04	64.86
18.	27-Technical Education and Industrial Training	138.04	22.62	115.42	34.58	80.84	58.56
	Total	27543.22	19895.28	7647.94	594.63	7053.31	25.61

Source: Appropriation Accounts

Such large savings in these grants reflect weak budgetary control. On this being pointed out to the concerned departments (September 2012) and the Finance Department (October 2012) for intimating the reasons for these large savings; no reply was received (December 2012).

2.2.2 Persistent savings

In eight cases, during the last five years, there were persistent savings of more than ₹ five crore in each case (Table 2.3). Under one Centrally Sponsored Scheme at Sr. No. 7, there was 100 per cent saving during all the last five years which shows non-implementation of schemes as well as weak financial control.

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

Sr. No.	Number and Name of the grant/Head of Account	Amount of savings (percentage of savings in bracket)				
		2007-08	2008-09	2009-10	2010-11	2011-12
<i>(₹ in crore)</i>						
Revenue-voted						
1	05-Education 2202-General Education 02-Secondary Education 105-Teachers Training 01-Teachers Education Establishment of (DIETS) (CSS)	18.60 (100.00)	13.96 (75.05)	42.86 (89.74)	29.34 (83.26)	21.08 (73.65)
2	12-Home Affairs and Justice 2055-Police 109-District Police 01-District Police (Proper)	9.08 (1.04)	18.39 (1.82)	30.23 (2.54)	24.37 (1.72)	28.36 (1.59)
3	15-Irrigation and Power 2700-Major Irrigation 01-Sirhind Canal System (Commercial) 001-Direction and Administration 01-Direction and Administration	108.81 (43.55)	60.12 (27.15)	58.26 (20.69)	50.84 (17.09)	58.65 (16.94)
4	15-Irrigation and Power 2701-Medium Irrigation 80-General 001-Direction and Administration 01-Direction	5.32 (14.60)	82.02 (95.31)	96.75 (97.41)	110.92 (99.99)	131.61 (99.26)
5	21-Public Works 2215-Water Supply and Sanitation 01 -Water Supply 001- Direction and Administration	43.62 (23.25)	71.89 (32.60)	54.53 (23.69)	80.54 (29.57)	83.08 (23.18)
6	22-Revenue and Rehabilitation 2245-Relief on Account of National Calamities 02-Floods, Cyclones etc. 101-Gratuitous Relief 01-Gratuitous Relief	17.96 (44.74)	42.10 (59.30)	43.81 (87.62)	5.54 (10.45)	5.30 (8.15)
Capital-Voted						
7	15-Irrigation and Power 4711-Capital Outlay on Flood Control Projects- 01-Flood Control 103-Civil Works 08-Works Expenditure Counter Protective Measures on Left Side of River Ravi (CSS)	10.00 (100.00)	8.00 (100.00)	7.00 (100.00)	5.00 (100.00)	5.00 (100.00)
8	21-Public Works 5054-Capital Outlay on Roads and Bridges 03-State Highways 101-Bridges 08-World Bank Scheme for Road Infrastructure (Plan)	275.00 (100.00)	120.67 (43.88)	32.50 (18.90)	32.62 (25.68)	215.00 (95.56)

Source: Appropriation Accounts

The matter was taken up with the concerned Administrative Secretaries (September 2012) and Finance Department (October 2012) requesting them to explain the reasons for persistent savings. No reply was received (December 2012).

2.2.3 Excess over provisions requiring regularization

Article 205(b) of the Constitution of India provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, The Governor shall cause to be laid before the House or the Houses of the Legislature of the State, another statement showing the estimated amount of that expenditure or cause to be presented to the Legislative Assembly of the State a demand for such excess, as the case may be.

The excess expenditure amounting to ₹ 3,691.21 crore for the years 2007-11 had yet not been regularized under the provision of Article 205 (b) of the Constitution of India. The year-wise detail of excess expenditure requiring regularization is summarized in **Table 2.4**.

Table 2.4: Excess over provisions requiring regularization

(₹ in crore)			
Year	Total number of Grants/ appropriations	Grant/ appropriation number	Amount of excess over provision
2007-08	6	8, 9, 12, 15, 19, 21	895.34
2008-09	4	3, 8, 12, 21	506.14
2009-10	4	3, 5, 8, 21	460.77
2010-11	6	8, 11, 18, 21, 22, 28	1828.96
Total			3691.21

Source: Appropriation Accounts

The excess expenditure of ₹ 901.36 crore in three grants (**Table 2.5**) during the year 2011-12 also require regularization under the above mentioned provisions.

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

(₹ in crore)					
Sr. No.	Number and title of grant		Total grant/ appropriation	Expenditure	Excess
Voted Grants					
1	8	Finance (Revenue)	5539.37	5772.92	233.55
2	8	Finance (Capital)	47.11	47.61	0.50
3	21	Public Works (Revenue)	1188.77	1526.03	337.26
Charged Appropriation					
4	8	Finance (Capital)	8624.92	8947.24	322.32
5	12	Home Affairs and Justice (Revenue)	57.63	65.36	7.73
Total			15457.80	16359.16	901.36

Source: Appropriation Accounts

On this being pointed out (October 2012), the Finance Department stated (November 2012) that all out efforts would be made to get the excess expenditure regularised during the ensuing budget session.

2.2.4 Persistent excess expenditure exceeding ₹ 200 crore and also by more than 20 per cent of the provisions in a single grant

In Grant No. 21-Public Works (Revenue-Voted), there was excess expenditure by more than ₹ 200 crore and also by more than 20 *per cent* of the total provision consistently for the last five years (Table 2.6), depicting another example of poor budgeting.

Table 2.6: Excess expenditure of more than ₹ 200 crore and also by more than 20 per cent of the provisions

(₹ in crore)

Year	Provision	Expenditure	Excess expenditure	
			Amount	Percentage
2007-08	725.72	1018.68	292.96	40.37
2008-09	772.49	1056.13	283.64	36.72
2009-10	792.62	1242.40	449.78	56.75
2010-11	892.39	1366.32	473.93	53.11
2011-12	1188.77	1526.03	337.26	28.37

Source: Appropriation Accounts

The matter was taken up with the concerned Administrative Secretaries (September 2012) and the Finance Department (October 2012); no reply was received (December 2012).

2.2.5 Persistent excess expenditure

In six cases (Table 2.7), there was persistent excess expenditure of more than ₹ five crore in each case during the last five years. Under five schemes (Sr. No. 2, 3, 4, 5, and 6), there was 100 *per cent* or more excess expenditure during the last five years.

Table 2.7: List of grants having persistent excess expenditure during 2007-12*(₹ in crore)*

Sr. No.	Number and Name of the grant	Amount of excess expenditure (percentage of excess expenditure in brackets)				
		2007-08	2008-09	2009-10	2010-11	2011-12
Revenue-Voted						
08-Finance						
1	2071-Pensions and other Retirement benefits 01-Civil 105-Family Pensions	69.24 (48.90)	54.71 (24.28)	31.31 (9.98)	144.34 (35.45)	100.80 (16.93)
21-Public Works						
2	2059-Public Works 80-General 799-Suspense	120.60 (100.00)	167.91 (100.00)	184.98 (100.00)	219.13 (100.00)	157.79 (100.00)
3	2059-Public Works 80-General 001-Direction and Administration 07-Establishment Charges paid to Public Health Department for Work done by that Department	28.54 (100.00)	22.02 (100.00)	27.29 (100.00)	45.73 (100.00)	45.23 (100.00)
4	2215-Water Supply and Sanitation 01-Water Supply 799-Suspense	214.21 (100.00)	176.18 (100.00)	149.38 (100.00)	106.37 (100.00)	73.19 (100.00)
5	2215-Water Supply and Sanitation 01-Water Supply 800-Other Expenditure 01-Maintenance of Works	71.28 (184.19)	100.10 (301.51)	107.98 (325.24)	127.08 (385.09)	118.88 (312.84)
6	3054-Roads and Bridges 80-General 001-Direction and Administration 01-Establishment charges transferred on pro-rata basis to the Major Head 3054-Roads and Bridges	48.13 (100.00)	42.62 (100.00)	74.72 (100.00)	6.29 (100.00)	91.27 (100.00)

Source: Appropriation Accounts

Despite the matter having been taken up with the concerned Chief Controlling Officers (September 2012) and Finance Department (October 2012) for intimating the reasons for persistent excess and for not providing adequate budget; no reply was received (December 2012).

2.2.6 Expenditure without provision of funds

As per Para 14.1 of the Punjab Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds except after obtaining additional funds by re-appropriation, supplementary grant or appropriation on an advance from the Contingency Fund of the State. It was, however, noticed that an expenditure of ₹ 673.45 crore, was incurred in 29 cases (₹ one crore or more in each case) under four grants during 2011-12

(Appendix 2.2) without making any provision in the original estimates/supplementary demands and without issuing any re-appropriation orders to this effect. On this being pointed out (October 2012), the Finance Department assured (November 2012) to get the expenditure regularised from the Vidhan Sabha and to avoid such irregularity in future.

2.2.7 Unnecessary supplementary provisions

Supplementary provisions of ₹ one crore or more in each case, aggregating to ₹ 1,250.08 crore obtained in 21 cases, during the year 2011-12 proved unnecessary as the expenditure did not come up to the level of the original provisions (Appendix 2.3). Some of the departments which obtained huge amount of unnecessary supplementary provisions were Health and Family Welfare, Revenue and Rehabilitation, Rural Development and Panchayats and Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes. On this being pointed out (October 2012), the Finance Department stated (November 2012) that the matter would be looked into and corrective measures would be taken in future.

2.2.8 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. During the year 2011-12, 30 re-appropriation orders for ₹ 3,064.21 crore were issued. All these re-appropriation orders were issued in the month of March 2012 and as many as 12 orders on 31st March, 2012. Besides, five out of the 30 re-appropriation orders for ₹ 216.53 crore were found inappropriate and hence had to be ignored by the Accountant General (A&E), Punjab (Appendix 2.4).

During 2011-12, under 42 cases out of 48 cases (Appendix 2.5, excluding Sr. No. 7, 8, 9, 15, 31 and 48), re-appropriation orders effected by the departments proved unnecessary because expenditure did not come even up to the level of budget provisions. In six² cases, reduction of provisions through re-appropriation proved insufficient as there was excess expenditure under these cases.

Despite the matter having been taken up with the concerned Chief Controlling Officers (September 2012) and Finance Department (October 2012) for intimating the reasons for unnecessary re-appropriation of funds, no reply was received so far (December 2012).

2.2.9 Anticipated savings not surrendered

As per Rule 17.20 of the Punjab Financial Rules, the spending 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, in 25 cases, savings of ₹ 5,416.91 crore (61.53 per cent of overall savings of ₹ 8,803.45 crore) (Appendix 2.6) ranging between ₹ 10.14 crore and ₹ 1,270.48 crore, was not surrendered by the concerned departments. Rural Development and Panchayats, Local Government, Housing

² Sr. No. 7, 8, 9, 15, 31, and 48.

and Urban Development and Social and Women's Welfare and Welfare of Scheduled Castes and Backward Classes were some of the departments which had not surrendered the huge anticipated savings (more than ₹ 700 crore) which indicated the inadequate budgetary control. On this being pointed out (October 2012), the Finance Department stated (November 2012) that appropriate action would be taken to avoid such situation in future.

Similarly, in 13 cases, after effecting partial surrender (₹ 671.51 crore out of ₹ 3,058.16 crore), savings ranging between ₹ 12.04 crore and ₹ 871.66 crore aggregating to ₹ 2,386.65 crore were not surrendered (*Appendix 2.7*). Moreover, all the surrenders have been made in the month of March 2012 i.e. last month of the financial year. Had the amount been surrendered as and when it was anticipated, it could have been utilized for other purposes. Some of the departments which surrendered the savings partially were Education, Food and Supplies, Home Affairs and Justice, Irrigation and Power and Agriculture and Forests.

2.2.10 Surrender in excess of the actual savings

Under Grant No. 8-Revenue (Charged), the amount surrendered (₹ 260.05 crore) was in excess of the actual savings (₹ 250.01 crore) indicating inadequate budgetary control in Finance Department. Moreover in the same grant, an amount of ₹ 619.36 crore (Revenue-Voted) and ₹ 1.10 crore (Capital-Voted) had been surrendered even though there was an excess of ₹ 233.55 crore and ₹ 0.50 crore respectively under this grant.

On this being pointed out (October 2012), the Finance Department stated (November 2012) that the variation in excess-surrender was approximately four *per cent*, which was ignorable. The reply of the department is not in line with the audit observation as the department did not furnish the specific reasons for surrender of amount in excess of savings.

2.2.11 Rush of expenditure

According to para 18.15 of the Manual of Instructions of the Finance Department, Government funds should be evenly spent throughout the year. The rush of expenditure towards the end of the financial year is regarded as a breach of financial propriety. Scrutiny of expenditure incurred by the State Government in the year 2011-12 revealed that in 10 cases, the expenditure during the 4th quarter of the year ranged between 63.94 and 100 *per cent* of the total expenditure under the concerned head of accounts and the expenditure incurred during the month of March 2012 alone constituted 45.01 *per cent* of the total expenditure under the concerned head of accounts during the year. The details are given in **Table 2.8**.

Table 2.8: Rush of expenditure towards the end of the financial year 2011-12*(₹ in crore)*

Sr. No.	Major Head	Total expenditure during the year	Expenditure during the last quarter of the year		Expenditure during March 2012	
			Amount	Percentage of total expenditure	Amount	Percentage of total expenditure
1.	2015	101.27	80.52	79.51	21.39	21.12
2.	3425	2.70	1.94	71.85	1.68	62.22
3.	3435	2.16	2.04	94.44	1.87	86.57
4.	3451	43.46	33.22	76.44	31.36	72.16
5.	4070	4.25	3.94	92.71	3.75	88.23
6.	4210	47.59	31.84	66.90	30.69	64.49
7.	4235	2.15	1.60	74.42	1.04	48.37
8.	4250	5.63	3.60	63.94	2.87	50.98
9.	4402	1.30	1.30	100.00	1.30	100.00
10.	4851	2.68	2.67	99.63	0	0
	Total	213.19	162.67	76.30	95.95	45.01

Source: Monthly Accounts compiled by the Pr. A.G. (A&E)

2.2.12 Wrong classification

(a) Disbursement of Grant-in-aid under Capital Heads of expenditure as per budget provision is against the rule provided in Indian Government Accounting Standard-2 (IGAS-2) issued by Government of India (May 2011). An amount of ₹ 166.63 crore, under 20 cases (*Appendix 2.8*) has been disbursed by the State Government as Grant-in-aid which has been classified under the capital heads instead of revenue heads. Budgetary allocation of Grant-in-aid under capital heads violates the provisions of IGAS-2. The matter was taken up with the Finance Department (September/October 2012), no reply was received (December 2012).

(b) In Grant No. 12, funds of ₹ 16.09 crore (*Appendix-2.9*) were provided in the revised budget estimates for the year 2011-12 under head “4055-Capital Outlay on Police” to meet with the expenditure of purely revenue nature³ items, in contravention of the provisions of Punjab Budget Manual.

On this being pointed out (August/October 2012), no reply was furnished by the Finance Department/Principal Secretary (December 2012).

2.2.13 Unadjusted abstract contingent bills

Under Rule 262 of Punjab Treasury Rules (PTR), a Drawing and Disbursing Officer (DDO) may draw money from treasury for contingent expenses. Further, as per Rule 274 and Note 4 there under read with Rule 276 *ibid*, on producing an Abstract Contingent (AC) bill during the month, the DDO will have to certify that the Detailed Contingent (DC) bills have been submitted to the Controlling Officer (CO) in respect of AC bills drawn more than a month before the date of that bill. On no account may an AC bill be cashed by treasury officer without this certificate. The CO may send the countersigned

³ Clothing & Tentage, Minor Works & Maintenance and Material & Supplies for manufacturing.

DC bill to AG (A&E) for adjustment of corresponding AC bills. However, 1661 AC bills⁴ for ₹ 1,287.98 crore were drawn during the period 2010-12 by different departments from various treasuries of the State, but no adjustment bills (DC bills) thereagainst were sent to Pr. AG (A&E) Punjab, as required under the Rules *ibid*.

In the absence of timely submission of DC bills for corresponding AC bills, possibility of irregular classification, mis-utilisation of funds etc. can not be ruled out. This requires close monitoring by the respective DDOs.

On this being pointed out (October 2012), the Finance Department stated (November 2012) that the matter had been taken up with the concerned departments.

2.3 Preparation of unrealistic budget estimates

As per Para 1.7 of Punjab Budget Manual, it is the duty of Finance Department (FD) to prepare the Budget and for its preparation, it has powers to require Heads of Departments (HoDs) and other authorities to furnish materials on which to base its estimates. In framing estimates, it is necessary to exercise utmost foresight. Revised estimates are required to be the best possible forecast of the actual income and expenditure of the year. The FD is responsible for its submission to the legislative assembly on a fixed day. The discrepancies noticed during the scrutiny of budgetary process for the year 2011-12, are as under:-

2.3.1 Delay in calling for budget proposals

Rule 3.1 of the Punjab Budget Manual required the FD to call for budget proposals (both original and revised) from all the HoDs of the State Government by 1st July of each year so as to reach the FD latest by 25th October after getting the same routed through Accountant General and the Administrative Heads to ensure its correctness.

Audit observed that the FD, instead of calling the budget proposals for the financial year 2011-12 from HoDs on 1st July 2010, initiated the process on 13th September 2010 with a delay of 74 days. As against the date of 25th October 2010 to receive the budget proposals from HoDs, the FD fixed it as 1st November 2010, thereby allowing only 49 days (42 *per cent*) to HoDs against the envisaged time of 116 days.

Similarly, the FD called for the revised budget proposals from HoDs on 3rd October 2011 instead of 1st July, 2011 with a delay of 94 days. As against the envisaged date of 25th October, 2011 for submission of revised budget proposals, the FD again fixed it as 1st November 2011, thereby allowing only 29 days (25 *per cent*) to HoDs against the envisaged time of 116 days.

Thus, delay in starting the processes of budget proposals (original and revised) for the year 2011-12 by the FD resulted into non-providing of sufficient time to the departments for assessment, compilation, analysis and carrying out corrections, if any, to enable them to submit accurate revised budget

⁴ 2010-11: 1106 AC bills (₹ 828.80 crore) and 2011-12: 555 AC bills (₹ 459.18 crore).

proposals, as discussed in the succeeding paragraph. Further, the budget proposals were received by the FD without the same routing through the Administrative Heads and the Accountant General, as envisaged in the Punjab Budget Manual.

On this being pointed out (August/October 2012), no justification for the delay was received from the Finance Department (December 2012).

2.3.2 Unrealistic Budget Estimates

The original budget of ₹ 48,594.83 crore prepared by the State Government for the year 2011-12 was revised to ₹ 49,360.85 crore which was unwarranted, as against this, an expenditure of ₹ 43,767.29 crore only was incurred during 2011-12, which did not come even to the level of original budget provisions. Further, not only the provision of Annual Plan was subsequently reduced from ₹ 11,520.00 crore to ₹ 9,702.47 crore, but the actual expenditure of ₹ 7,457.45 crore could only be incurred, which worked out to only 65 per cent of the projected plan outlay, whereas it was 91 per cent in the previous year (2010-11). Similarly, the estimated receipts of ₹ 48,638.86 crore were revised to ₹ 50,378.44 crore, against which, only ₹ 41,200.02 crore were actually realized.

It was observed that the revenue expenditure of ₹ 33,045.32 crore was incurred during 2011-12 against the actual revenue receipts of ₹ 26,234.41 crore, thereby revenue deficit of ₹ 6,810.91 crore (202 per cent of the estimated revenue deficit of ₹ 3,379⁵ crore). However, after taking into account the capital savings of ₹ 4,243.64 crore, the deficit in consolidated fund came down to ₹ 2,567.27 crore. The details are given in the **Table 2.9**.

Table 2.9: Details of actual receipts and actual expenditure under capital and revenue heads

	Actual Receipts	Actual Expenditure	Saving(-) Excess(+)
Revenue	26234.41	33045.32	(+) 6810.91*
Capital	14965.61	10721.97	(-) 4243.64
Net Deficit in consolidated fund	41200.02	43767.29	(+) 2567.27

* Revenue Deficit

On this being enquired (July-October 2012) from the Finance Department; no reply was received (December 2012).

2.4 Outcome of review of selected grants

A review of budgetary procedure and control over expenditure in two test checked grants i.e. Grant No 11-Health and Family Welfare and Grant No-24 Science, Technology and Environment revealed the following:

⁵ Estimated Revenue Expenditure ₹ 35,406 crore minus Estimated Revenue Receipt ₹ 32,027 crore = ₹ 3,379 crore.

(i) Unrealistic budget provisions

Scrutiny revealed that under Grant No 11, the department either made unrealistic budget provisions or did not disburse the amount during 2011-12, as savings of ₹ one crore or more and also more than 20 per cent of the total provision in each case aggregating ₹ 367.46 crore were found in 35 minor heads/schemes (**Appendix 2.10**). Moreover, there was saving of 100 per cent in 22 schemes (Sr. No. 14 to 35). Thus, the original budgetary provisions proved excessive or unnecessary or the departments did not bother to use the funds at all.

The matter was taken up with the concerned Administrative Secretaries (September 2012) and the Finance Department (October 2012); no reply was received (December 2012).

(ii) Excess over provisions requiring regularization

Article 205(b) of the Constitution of India provides that if any money has been spent on any service during a financial year in excess of the amount granted for that service and for that year, the Governor shall cause that to be laid before the House or the Houses of the Legislature of the State another statement showing the estimated amount of that expenditure or cause to be presented to the Legislative Assembly of the State a demand for such excess, as the case may be.

The excess expenditure of ₹ 51.55 crore in 10 cases exceeding ₹ one crore in each case (**Appendix 2.11**) under grant No. 11 during the year 2011-12 require regularization under the above mentioned provisions. On being enquired from Health Department (September 2012) and the Finance Department (October 2012) regarding the reasons for excess expenditure over budget provision and source from where the funds for the excess expenditure was met and details of diversion of funds; no reply was received (December 2012).

(iii) Withdrawal of whole budget provision through re-appropriation

Under Grant-24, in 10 minor heads/schemes, whole budget provision amounting to ₹ 17.14 crore (₹ one crore or more in each case) was withdrawn (**Appendix 2.12**) through re-appropriation. Withdrawal of whole provision through re-appropriation dilutes the process of budget making and control.

(iv) Other interesting points

- The budget estimates for the year 2011-12 due on 1 November 2010 were sent by the Administrative departments to the Finance Department with delays ranging from 17 to 74 days (**Appendix 2.13**). It resulted into non-providing of sufficient time to the departments for assessment, compilation, analysis and carrying out corrections, if any, to enable them to submit accurate revised budget proposals, as discussed in the paragraphs 2.4(i) to 2.4(iii).
- As per para 12.11 of Punjab Budget Manual, the Departments were to maintain liability register to keep watch over the undischarged liabilities. It was noticed that no such register was maintained by the Drawing and Disbursing Officers operating these grants.

2.5 Conclusion

During 2011-12, expenditure of ₹ 44,541.87 crore was incurred against total grants and appropriations of ₹ 52,443.96 crore resulting in savings of ₹ 7,902.09 crore. An expenditure of ₹ 673.45 crore was incurred without making any budget provision in the budget estimates. Supplementary provisions of ₹ 1,250.08 crore proved unnecessary as the expenditure did not come up to the level of original provisions. As against 1661 Abstract Contingent bills amounting to ₹ 1,287.98 crore drawn during 2010-12, no adjustment bills (Detailed Contingent Bills) were submitted to Pr. Accountant General (A&E) Punjab. Under grant No. 8-Finance, the amount of ₹ 260.05 crore was surrendered in excess of the actual savings of ₹ 250.01 crore, indicating inadequate budgetary control by the concerned department.

2.6 Recommendations

- *Budgetary control should be strengthened in all the Government departments, particularly in those departments where savings/excesses have been observed for the last four years regularly.*
- *Budget estimates should be prepared with due care and on realistic basis so that there are no huge savings/surrenders or excesses over the budget estimates.*
- *Anticipated savings should be surrendered as and when these are expected so that the amount could be got utilized on other schemes.*