

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 the voted grants and appropriations charged for different purposes as specified in the schedules appended to the Appropriation Acts, passed by the Legislature. 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 budget. Appropriation Accounts, thus, facilitate management of finances and monitoring of budgetary provision and are, therefore, supplementary to the Finance Accounts. In Sikkim, no Budget Manual containing the procedures for preparation of the estimates of budget, subsequent action in respect of the budget communication, distribution of grants, watching the progress of revenue and actuals and control over expenditure, etc., had been laid down.

2.1.2 Audit of appropriation by the Comptroller and Auditor General (CAG) of India seeks to ascertain whether 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 provision of the Constitution is so charged. It also ascertains whether the expenditure so incurred is in conformity with law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts**2.2.1 Summarised position of expenditure and provision**

The summarised position of actual expenditure during 2011-12 against 46 grants/appropriations was as given in **Table 2.1**:

Table 2.1: Summarised position of actual expenditure vis-à-vis Original/Supplementary provision

(₹ in crore)

Nature of expenditure		Original grant/ appropriation	Supplementary grant/appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I Revenue	3,045.70	670.02	3,715.72	3014.41	(-)701.31
	II Capital	1,138.94	230.95	1,369.89	664.76	(-)705.13
	III Loans and Advances	0.40	-	0.40	0.17	(-)0.23
Total Voted		4,185.04	900.97	5,086.01	3,679.34	(-)1,406.67
Charged	IV Revenue	219.52	0.56	220.08	217.51	(-)2.57
	V Capital	-	-	-	-	-
	VI Public Debt- Repayment	69.82	-	69.82	48.66	(-)21.16
Total Charged		289.34	0.56	289.90	266.17	(-)23.73
Appropriation to Contingency Fund (if any)		-	-	-	-	-
Grand Total		4,474.38	901.53	5,375.91	3,945.51	(-)1,430.40

Source : Appropriation Accounts

The overall savings of ₹ 1,430.40 crore was the result of savings of ₹ 1,430.60 crore in 42 grants and two appropriations under Revenue Section, 27 grants under Capital Section and one grant (Public Debt-Repayments) under Loan Section, offset by excess of ₹ 0.20 crore in three grants under Revenue Section and one grant under Capital Section.

The savings/excess were intimated (July 2012) to the Controlling Officers requesting them to explain the significant variations. Out of 647 sub-heads, explanations for variation were not received (January 2013) in respect of 75 sub-heads (Saving: 59 sub-heads and Excess: 16 sub-heads).

2.2.2 Pendency in submission of Detailed Contingent (DC) Bills against Abstract Contingent (AC) Bills

As per Sikkim Financial Rules (SFR), every drawing officer has to certify in each abstract contingent bill that detailed bills for all contingent charges drawn by him prior to the first of the current month have been forwarded to the respective controlling officers for countersignature and transmission to the Accountant General. The total amount of DC bills received during the period 2008-12 was only ₹ 124.45 crore against the amount of AC bills of ₹ 268.51 crore (₹ 80.56 crore (OB) + ₹ 187.95 crore) leading to an outstanding balance of DC bills of ₹ 144.06 crore as on 31 March 2012. Year-wise details are given in the following table.

Table 2.2: Details of AC Bills

(₹ in crore)

Year	Opening Balance	Addition during the year	Total Amount of AC Bills	Amount of adjustment (DC bills)	DC bills as percentage to AC bills	Outstanding AC bills
2007-08	80.56	41.39	121.95	5.19	4.26	116.76
2008-09	116.76	35.37	152.13	49.77	32.72	102.36
2009-10	102.36	36.30	138.66	1.88	1.36	136.78
2010-11	136.78	29.85	166.63	55.33	33.70	111.30
2011-12	111.30	45.04	156.34	12.28	7.85	144.06
Total		187.95		124.45		

Source: Voucher Level Computerisation data of Sr. DAG (A & E)

Department-wise pending DC bills for the years up to 2011-12 are detailed in **Appendix 2.1**.

Non-submission of DC bills for long periods after drawing the AC bills is fraught with the risk of misappropriation and therefore, needs to be monitored closely. It may also be mentioned that the expenditure, having already been booked as such in the books of accounts, distorts the magnitude of expenditure besides quality of the same remaining unascertained.

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 24 cases, savings exceeded ₹ 1 crore in each case and also by more than 20 per cent of total provision (**Appendix 2.2**). Against the total savings of ₹ 1,430.60 crore, savings of ₹ 1,163.86 crore (81 per cent)¹ occurred in 12 cases relating to 12 grants as indicated in **Table 2.3**.

Table 2.3: List of Grants with savings of ₹ 50 crore and above

(₹ in crore)

Sl. No.	No. and Name of Grant	Original	Supplementary	Total	Actual Expenditure	Savings
	REVENUE –VOTED					
1	10 - Finance, Revenue and Expenditure	1,130.67	14.54	1,145.21	1,013.01	132.20
2	12 - Forestry and Environment Management	110.28	14.61	124.89	71.29	53.60
3	19 - Irrigation and Flood Control	108.97	8.41	117.38	40.54	76.84
4	22 - Land Revenue and Disaster Management	70.10	373.31	443.41	280.21	163.20
5	29 - Development Planning, Economic Reforms and North Eastern Council Affairs	68.46	1.09	69.55	10.74	58.81
6	38 - Social Justice, Empowerment and Welfare	117.88	25.68	143.56	76.24	67.32
7	43 - Panchayat Raj Institutions	310.73	18.24	328.97	278.46	50.51
	CAPITAL –VOTED					
8	33 - Water Security and Public Health Engineering	78.29	13.34	91.63	34.26	57.37
9	34 - Roads and Bridges	183.63	82.88	266.51	115.13	151.38
10	35 - Rural Management and Development	103.35	36.88	140.23	82.29	57.94
11	40 - Tourism	161.05	23.14	184.19	57.00	127.19
12	41 - Urban Development and Housing	222.78	2.07	224.85	57.35	167.50
	Total					1,163.86

Source : Appropriation Accounts

Reasons for savings were mainly due to (i) non-receipt of funds from the GOI and (ii) non-completion of work.

¹Exceeding ₹ 50 crore in each case.

2.3.2 Persistent savings

In five cases, during the last five years, there were persistent savings of more than ₹ 1 crore in each case and also by 10 *per cent* or more of the total grant (**Table 2.4**).

Table 2.4: Lists of Grants indicating persistent savings during 2007-08 to 2011-12

(₹ in crore)

Sl. No.	No. and Name of Grant	Amount of savings				
		2007-08	2008-09	2009-10	2010-11	2011-12
	REVENUE –VOTED					
1	19 Irrigation & Flood Control	3.77 (21.59)	34.70 (56.45)	15.07 (28.93)	28.05 (39.01)	76.84 (65.46)
2	29 - Development Planning, Economic Reforms and North Eastern Council Affairs	19.95 (72.07)	12.54 (61.81)	14.96 (60.96)	86.93 (91.32)	58.81 (84.55)
	CAPITAL – VOTED					
3	31 - Energy and Power	98.22 (71.65)	85.93 (62.23)	43.90 (30.31)	65.89 (66.72)	39.28 (51.76)
4	34 - Roads & Bridges	88.36 (58.34)	54.60 (26.62)	63.63 (45.87)	125.54 (58.80)	151.39 (56.80)
5	40 - Tourism	19.32 (37.77)	64.72 (58.82)	23.91 (32.77)	54.87 (52.81)	127.19 (69.05)

Source : Appropriation Accounts

(Figures in the bracket indicate percentage to total provision)

Reasons for savings were mainly due to (i) non-receipt of funds from the GOI and (ii) non-receipt of claims.

2.3.3 Expenditure without provision

As per SFR, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹ 9.41 crore was incurred in one case as detailed in **Table 2.5** without any provision in the original estimates/supplementary demand and without any re-appropriation orders to that effect.

Table 2.5: Expenditure incurred without provision during 2011-12

(₹ in crore)

Number and Name		Head of Account	Amount of expenditure without provision	Reasons/Remarks
Grant	Appropriation			
16	-	4851-101 Industrial Estates	9.41	Reasons not intimated
		Total	9.41	

Source : Appropriation Accounts

2.3.4 Rush of expenditure

According to the SFR, rush of expenditure in the closing month of the financial year should be avoided. Contrary to this, expenditure exceeding ₹ 1 crore and also more than 50 *per cent* of the total expenditure for the year was incurred in respect of 16 heads and 29 heads during March 2012 and last quarter of the year 2011-12 respectively as listed in **Appendix 2.3**.

In seven and three cases, expenditure during the last quarter and March 2012 respectively, was up to 100 *per cent* of total provision during the year, which was contrary to the aforesaid provision.

2.3.5 Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure had been prescribed under the Article, the regularisation of excess expenditure is done after the completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, the excess expenditure amounting to ₹ 9.05 crore for the years 2007-11 was yet to be regularised. The year-wise amount of excess expenditure pending regularisation for grants/appropriations is summarised in **Table 2.6**.

Table 2.6: Excess over provision relating to previous years requiring regularisation

(₹ in crore)

Year	Number of		Amount of excess over provision	Status of Regularisation
	Grants	Appropriations		
2007-08	03 (Grants Nos. 16,24,37)	-	0.38	Recommended by PAC for regularisation
2008-09	02 (Grant Nos. 33,10)	-	1.98	Not yet discussed by PAC
2009-10	04 (Grant Nos. 24,28,29,33)	-	5.10	-do-
2010-11	04 (Grant Nos.24,33,37,24)	-	1.59	-do-
Total		9.05		

Source : Appropriation Accounts

2.3.6 Excess over provision during 2011-12 requiring regularisation

Table 2.7 contains the summary of total excess in four grants amounting to ₹ 19.58 lakh over authorisation from the Consolidated Fund of State during 2011-12 and requires regularisation under Article 205 of the Constitution.

Table 2.7: Excess over provision requiring regularisation during 2011-12

(₹ in lakh)

Sl.No	Number and title of Grant/ Appropriation		Total grant/appropriation	Expenditure	Excess
A. Voted Grants -					
1	16	Commerce and Industries	4,303.25	4,312.66	9.41
2	26	Motor Vehicles	307.98	310.50	2.52
3	42	Vigilance	410.58	411.64	1.06
B. Charged Grants -					
4	24	Legislature	55.34	61.93	6.59
Total					19.58

Source : Appropriation Accounts

2.3.7 Unnecessary/excessive/inadequate supplementary provision

Supplementary provision aggregating ₹ 281.21 crore obtained in 28 cases, (₹ 10 lakh or more in each case) during the year proved unnecessary as the expenditure did not come up to the level of original provision as detailed in **Appendix 2.4**.

2.3.8 Excessive/unnecessary re-appropriation of funds

Re-appropriation is transfer of funds within a grant from one unit of appropriation, where savings are anticipated, to another unit where additional funds are needed. Injudicious re-appropriation proved excessive or insufficient and resulted in savings/excess of over ₹ 15.73 crore in 12 sub-heads. There was excess of ₹ 6.19 crore in four sub-heads as detailed in **Appendix 2.5** and savings of ₹ 9.54 crore in eight sub-heads as detailed in **Appendix 2.6**.

2.3.9 Substantial surrenders

Substantial surrenders (the cases where more than 50 *per cent* of total provision was surrendered) were made in respect of 51 sub-heads on account of either delay in implementation of schemes/programmes or non-receipt of funds from Government of India. Out of the total provision amounting to ₹ 697.77 crore in these 51 schemes, ₹ 556.75 crore (80 *per cent*) constituting 10 *per cent* of total budget provision (₹ 5,375.91 crore) were surrendered, which included *cent per cent* surrender in 18 schemes (₹ 60.96 crore). The details of such cases are given in **Appendix 2.7**.

2.3.10 Surrender in excess of actual savings

In three cases, the amount surrendered (₹ 50 lakh or more in each case) was in excess of actual savings indicating lack of or inadequate budgetary control in these departments. As against savings of ₹ 139.18 crore, the amount surrendered was ₹ 153.34 crore resulting in excess surrender of ₹ 14.16 crore as indicated in **Table 2.8**.

Table 2.8: Surrender in excess of actual savings (₹ 50 lakh or more)

(₹ in crore)

Sl. No.	No. and Name of Grant/appropriation	Total grant/appropriation	Savings	Amount surrendered	Amount surrendered in excess
	REVENUE -VOTED				
1	10 - Finance, Revenue and Expenditure	1,145.21	132.20	134.54	2.34
2	10 - Finance, Revenue and Expenditure	204.15	1.32	12.60	11.28
3	35 - Rural Management and Development	61.64	5.66	6.20	0.54
	Total	1,411	139.18	153.34	14.16

Source : Appropriation Accounts

2.3.11 Anticipated savings not surrendered

As per SFR, the spending departments are required to surrender the grants/appropriations or portion thereof to the Finance, Revenue and Expenditure Department (FRED) as and when the savings are anticipated. At the close of the year 2011-12, there were, however, 16 grants/appropriations in which savings occurred but no part of which had been surrendered by the concerned departments. The amount involved in these cases was ₹ 12.05 crore (0.84 *per cent* of the total savings) (**Appendix 2.8**).

Similarly, out of total savings of ₹ 1,430.60 crore, savings of ₹ 1 crore and above under 24 grants/appropriations were noticed aggregating ₹ 435.45 crore representing 30.44 *per cent* of

total savings in those grants/appropriation that were not surrendered, details of which are given in **Appendix 2.9**. Besides, in 48 cases, (surrender of funds in excess of ₹ 1 crore or more), ₹ 983.79 crore (**Appendix 2.10**) were surrendered (major departments involved were Social Justice, Empowerment and Welfare, Rural Management and Development, Finance, Revenue and Expenditure and Food Security and Agriculture Development) on the last two working days of March 2012 indicating inadequate financial controls and also the fact that these funds could not be utilised for other development purposes.

2.4 Contingency Fund

The Contingency Fund of the State has been established under the Contingency Fund Act 1957 in terms of provision of Articles 267 (2) and 283 (2) of the Constitution of India. Advances from the fund are to be made only for meeting expenditure of an unforeseen and emergent character, postponement of which till its authorisation by the Legislature would be undesirable. The fund is in the nature of an imprest and its corpus is ₹ 1 crore. Funds drawn out of Contingency Fund are subsequently recouped to the fund through supplementary provision.

A total amount of ₹ 46.33 lakh was advanced during 2011-12 which was subsequently recouped alongwith outstanding balance of ₹ 10 lakh of previous year at the end of 2011-12.

2.5 Outcome of review of selected grants

2.5.1 Grant 38 -Social Justice, Empowerment & Welfare Department

A review on budgetary procedure and control over expenditure for the period 2007-08 to 2011-12 was conducted (August 2012) in respect of “Grant No.38 - Social Justice, Empowerment and Welfare Department (SJEWD), Government of Sikkim”. Important points noticed during review are detailed below:

2.5.1.1 Summarised position

The summarised position of actual expenditure against grants during 2007-08 to 2011-12 in respect of Demand No.38 pertaining to the SJEWD is given below:

Table 2.9: Details of actual expenditure against grants received

(₹ in crore)

Year	Section	Nature of expenditure	Original grant	Supplementary grant	Total	Actual expenditure	Savings	Surrender
2007-08	Voted	Revenue	87.45	5.21	92.66	67.03	25.63(28)	24.78
		Capital	34.97	3.36	38.33	37.36	0.97(3)	0.90
2008-09	Voted	Revenue	84.69	7.51	92.20	87.34	4.86(5)	3.96
		Capital	52.40	1.26	53.66	41.56	12.10(23)	6.94
2009-10	Voted	Revenue	101.78	5.19	106.97	84.12	22.85(21)	14.43
		Capital	34.43	00	34.43	29.02	5.41(16)	8.22
2010-11	Voted	Revenue	116.20	3.59	119.79	57.15	62.64(52)	62.35
		Capital	10.34	00	10.34	4.25	6.09(59)	6.00
2011-12	Voted	Revenue	117.88	25.68	143.56	76.24	67.32(47)	64.28
		Capital	8.49	3.80	12.29	5.59	6.70(55)	2.05
Total		Revenue	508.00	47.18	555.18	371.88	183.30	169.80
		Capital	140.63	8.42	149.05	117.78	31.27	24.11

Source: Appropriation Accounts

Figures in brackets indicate percentage of savings to total provision.

2.5.1.2 Unnecessary/excessive supplementary provision

Savings in a grant or appropriation indicate that the expenditure could not be incurred as estimated and planned. It points to poor budgeting or shortfall in performance depending upon the circumstances and the purpose for which the original grant or appropriation was provided. However, review of Grant No. 38 in respect of SJEWD for the last five years from 2007-08 to 2011-12 revealed the following:

Against the additional requirement of ₹ 2.65 crore for 2008-09 under Revenue Head and ₹ 2.39 crore for 2007-08 under Capital Head, the supplementary grant of ₹ 7.51 crore and ₹ 3.36 crore were obtained, resulting in savings of ₹ 4.86 and ₹ 0.97 crore respectively. Similarly, supplementary grant of ₹ 5.21 crore, ₹ 5.19 crore, ₹ 3.59 crore and ₹ 25.68 lakh during the years 2007-08, 2009-10, 2010-2011 and 2011-12 respectively under Revenue Head and ₹ 1.26 crore and ₹ 3.80 crore during the years 2008-09 and 2011-12 under Capital Head were unnecessary as the final expenditure of ₹ 67.03 crore, ₹ 84.12 crore, ₹ 57.15 crore, ₹ 76.24 crore under Revenue Head and ₹ 41.56 crore and ₹ 5.59 crore were within the original provision.

Further, supplementary grant obtained during the period from 2007-08 to 2011-12 revealed that the supplementary grant of ₹ 39.67 crore under Revenue Head for 2007-08 and entire period from 2009-10 to 2011-12 and ₹ 4.16 crore under Capital Head for 2008-09 and 2011-12 was obtained in anticipation of higher expenditure. However, the final expenditure of ₹ 331.69 crore (Revenue + Capital Heads) was even less than the original grant of ₹ 485.04 crore (Revenue + Capital Heads). The savings of ₹ 197.24 crore under the grant, thus, exceeded the entire supplementary grant of ₹ 44.73 crore (Revenue + Capital Heads) indicating unnecessary allotment of additional funds in these cases as detailed below:

Table 2.10: Details of actual expenditure against grants received

(₹ in crore)

Year	Section	Nature of expenditure	Original grant	Supplementary grant	Total	Actual expenditure	Savings
2007-08	Voted	Revenue	87.45	5.21	92.66	67.03	25.63
2008-09	Voted	Capital	52.40	1.26	53.66	41.56	12.10
2009-10	Voted	Revenue	101.78	5.19	106.97	84.12	22.85
2010-11	Voted	Revenue	116.20	3.59	119.79	57.15	62.64
2011-12	Voted	Revenue	117.88	25.68	143.56	76.24	67.32
		Capital	8.49	3.80	12.29	5.59	6.70
Total	Revenue		423.31	39.67	462.98	284.54	178.44
	Capital		60.89	5.06	65.95	47.15	18.80
Total (Revenue + Capital)			484.20	44.73	528.93	331.69	197.24

Source : Appropriation Accounts

2.5.1.3 Persistent savings

Savings in the grants were indicative of inaccurate budget estimation and a tendency of the concerned departments to overestimate the requirement of funds. Persistent and substantial savings ranging from 3 to 59 per cent of the provision were noticed both under Revenue and Capital Heads during the entire review period from 2007-08 to 2011-12 under Grant No. 38 as detailed in **Table 2.9**.

2.5.1.4 Substantial savings

Budget is prepared based on the activities to be undertaken for a year and the provision of fund is made to discharge the payment thereto. Further analysis of budget provision and actual expenditure for the period (2007-08 to 2011-12) covered under review revealed that there were substantial savings both under Revenue and Capital Heads ranging from 22 to 59 *per cent* indicating inaccurate and unrealistic budget estimates. The cases of substantial savings (seven cases) involving more than 20 *per cent* of the final grant are indicated as detailed below:

Table 2.11: Details of Substantial savings

(₹ in crore)

Year	Section	Nature of expenditure	Original grant	Supplementary grant	Total	Actual expenditure	Savings
2007-08	Voted	Revenue	87.45	5.21	92.66	67.03	25.62 (28)
2008-09	Voted	Capital	52.40	1.26	53.66	41.56	12.10 (23)
2009-10	Voted	Revenue	101.78	5.19	106.97	84.12	22.85 (21)
2010-11	Voted	Revenue	116.20	3.59	119.79	57.15	62.64 (52)
	Voted	Capital	10.34	00	10.34	4.25	6.09 (59)
2011-12	Voted	Revenue	117.88	25.68	143.56	76.24	67.33 (47)
	Voted	Capital	8.49	3.80	12.29	5.59	6.70 (55)

Figures in brackets indicate percentage of savings to total provision

2.5.1.5 Cases of irregular re-appropriation of funds

SFR enjoins that re-appropriation of funds shall be made only when it is known or anticipated that the re-appropriation from the unit from which funds are to be transferred will not be utilised in full. Audit analysis revealed non-observance of the Rules resulting in incorrect re-appropriation as shown in succeeding paragraphs:

- 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. Audit analysis revealed that while the total expenditure was within the grant, augmentation of funds by way of re-appropriation proved injudicious in the following cases:

Table 2.12: Cases of irregular re-appropriation of funds

(₹ in lakh)

Year	MH affecting the grant	Total grant (Original + Supplementary)	Actual expenditure	Savings	Amount of re-appropriation
2007-08	2235-Social Security & Welfare (Plan)	1,232.69	1,170.60	62.09	8.50
2008-09	2236-Nutrition (Plan)	800.66	665.97	134.69	30.44
	2225-Welfare of SCs, STs and OBCs (Plan)	99.68	62.20	37.48	1.00
2009-10	2235-Social Security & Welfare (Plan)	2,206.28	1,683.15	523.13	101.00
2010-11	2225-Welfare of SCs, STs and OBCs (Plan)	228.10	208.35	19.75	4.55

- Further, it was noticed that the reduction of provision by way of re-appropriation was totally unnecessary while there was already excess expenditure over the final grant

resulting in irregular re-appropriation. The cases of re-appropriation in excess of savings available are indicated below:

Table 2.13: Details of unnecessary re-appropriation of funds

(₹ in lakh)

Year	MH affecting the grant	Total grant (Original + Supplementary)	Actual expenditure	Excess	Amount of re-appropriation
2008-09	2235-Social Security & Welfare (Plan)	1,614.95	1625.32	10.37	31.83
	2215-Water Supply & Sanitation (Plan)	823.81	823.83	0.02	10.37

- Similarly, in the following cases, funds were withdrawn by way of re-appropriation in excess of available savings resulting in excess expenditure over the grants as detailed below:

Table 2.14: Details of withdrawn by way of re-appropriation of funds in excess

(₹ in lakh)

Year	MH affecting the grant	Total grant (Original + Supplementary)	Actual expenditure	Savings	Amount of re-appropriation
2007-08	2225-Welfare of SCs, STs and OBCs (Plan)	805.00	813.59	8.59	8.90
2009-10	2225-Welfare of SCs, STs and OBCs (Non-Plan)	202.02	166.12	35.90	44.00

- Furthermore, in the following cases, funds were injudiciously augmented by way of re-appropriation of funds in excess of what was actually required to cover the excess expenditure over the final grant which ultimately resulted in savings as detailed below:

Table 2.15: Injudiciously augmented by way of re-appropriation of funds

(₹ in lakh)

Year	MH affecting the grant	Total grant (Original + Supplementary)	Actual expenditure	Excess	Amount of re-appropriation
2009-10	2235-Social Security & Welfare (Non-Plan)	317.72	341.03	23.31	26.77
	2236-Nutrition (Non-Plan)	74.26	89.43	15.17	17.23
2011-12	5054-Roads & Bridges	84.00	170.74	86.74	99.49

2.5.1.6 Substantial surrenders

Substantial surrenders were made in respect of 13 heads of account during the period of review (2007-12) either due to non-implementation or slow implementation of schemes/programmes. The percentage of surrender ranged from 50 to 98 *per cent* as shown below:

Table 2.16: Details of Substantial surrenders

(₹ in lakh)

Year	Major Head	Final grant	Amount of surrender	Percentage of surrender
2007-08	2210-Medical & Public Health (Plan)	150.00	110.00	73
	2217-Urban Development (Plan)	80.00	78.03	98
	2406-Forestry & Wild Life (Plan)	226.56	206.00	91
	2702-Minor Irrigation (Plan)	91.00	73.00	80
	3425-Other Scientific Reserve (Plan)	91.00	47.48	52
2008-09	4235-Social Security (Plan)	119.99	100.00	83
2009-10	3452-Tourism (Plan)	108.00	64.17	59
	2236-Nutrition (Plan)	924.97	656.37	71
	4059-Public Works (Plan)	400.00	300.56	75
2010-11	2225-Welfare of SC,ST & OBC (Plan)	1,035.10	628.01	61
2011-12	2401-Crop Husbandry (Plan)	300.00	200.00	67
	2515-Other Rural Development Programme (Plan)	50.00	25.00	50
	4235-Social Security (Plan)	119.99	100.00	83

2.5.1.7 Anticipated savings not surrendered

In terms of SFR, the spending departments are required to surrender the grants/appropriation or portion thereof to the FRED as and when the savings are anticipated. Audit analysis of Grant No. 38 revealed that despite the savings, no funds were surrendered by the departments in the following cases:

Table 2.17: Details of Anticipated savings not surrendered

(₹ in lakh)

Year	MH affecting the grant	Total grant (Original plus Supplementary)	Actual expenditure	Amount of re-appropriation	Savings	Amount surrendered
2007-08	2402-Crop Husbandry (Plan)	391.68	384.73	Nil	6.95	Nil
2008-09	2216-Rural Housing (Plan)	451.40	447.79	Nil	3.61	Nil
	2403-Animal Husbandry (Plan)	248.11	164.32	Nil	83.79	Nil
2009-10	2210-Medical & Public Health (Plan)	145.27	120.55	Nil	24.72	Nil
	2216-Rural Housing (Plan)	520.80	507.25	Nil	13.55	Nil
	2230-Labour & Employment (Plan)	13.00	Nil	Nil	13.00	Nil
	2406-Forestry & Wild Life (Plan)	80.00	57.50	13.75	8.75	Nil
	2852-Industries (Plan)	38.00	30.00	Nil	8.00	Nil
2010-11	2235-Social Security & Welfare (Non-Plan)	308.91	283.25	15.42	9.52	Nil
2011-12	5054-Roads & Bridges (Plan)	84.00	183.49	99.49	12.75	Nil
	4225-Welfare of SC,ST & OBC(Plan)	90.00	70.42	Nil	19.58	Nil
	4235-Social Security & Welfare (Plan)-(100% CSS)	428.75	Nil	Nil	428.75	Nil

2.5.1.8 Surrender in excess of anticipated savings

It was also noticed that in eight cases, the amount injudiciously surrendered was in excess of actual savings indicating lack of efficient and proper budgetary control. As against the available savings of ₹ 580.33 lakh, the amount surrendered was ₹ 1,233.40 lakh resulting in excess surrender of ₹ 653.07 lakh ranging from ₹ 3.20 lakh to ₹ 293.97 lakh as detailed below:

Table 2.18: Details of surrender in excess of anticipated savings

(₹ in lakh)

Year	MH affecting the grant	Total grant (Original plus Supplementary)	Amount of re-appropriation	Final grant	Actual expenditure	Savings available	Amount surrendered	Excess
2007-08	5054-Roads & Bridges (Plan)	798.72	Nil	798.72	780.22	18.50	21.70	3.20
2008-09	2225-Welfare of SCs, STs & OBCs (Plan)	963.54	(-)0.39	963.15	948.08	15.07	46.54	31.47
	2235-Social Security & Welfare (Plan)	1,614.95	31.83	1,646.78	1,625.32	21.46	47.05	25.59
2009-10	2225-Welfare of SC,ST & OBC (Plan)	1,586.86	(-)28.10	1,558.76	1,242.18	316.58	568.65	252.07
	4801-Power Projects (Plan)	615.00	Nil	615.00	608.97	6.03	300.00	293.97
	4225- Welfare of SC,ST & OBC (Plan)	124.02	Nil	124.02	102.41	21.61	30.46	8.85
2010-11	2215-Water Supply & Sanitation (Plan)	1,000.00	Nil	1,000.00	832.00	168.00	200.00	32.00
	2225-Welfare of SC,ST & OBC (Plan)	389.43	Nil	389.43	376.35	13.08	19.00	5.92
	Total					580.33	1,233.40	653.07

Further, in one case involving the MH-2215-Water Supply & Sanitation (Plan), the Department surrendered ₹ 21.35 lakh during 2008-09, although there was already excess expenditure of ₹ 10.39 lakh in the concerned head leading to injudicious surrender and consequent excess expenditure as indicated below:

Table 2.19: Details of injudicious surrender and consequent excess expenditure

(₹ in lakh)

Year	MH affecting the grant	Total grant (Original plus Supplementary)	Amount of re-appropriation	Final grant	Actual expenditure	Savings available	Amount surrendered	Excess
2008-09	2215-Water Supply & Sanitation (Plan)	823.81	(-)10.37	813.44	823.83	Nil	21.35	31.74

2.5.1.9 Non-utilisation of funds

Budget allotment is provided based on the proposed activities to be undertaken for a year. Audit analysis on the review of the grant revealed that an amount of ₹ 105.53 crore provided for various activities were not utilised as indicated below:

Table 2.20: Details of Non-utilisation of funds

(₹ in lakh)

Year	MH affecting the grant	Amount of grant	Expenditure
2007-08	2059-Public Works (Plan)	90.00	Nil
	2202-General Education	1,349.18	Nil
	3435-Ecology & Environment (Plan)	13.00	Nil
	4216-Rural Housing	30.34	Nil
2008-09	4235-Social Security & Welfare (Plan)	500.00	Nil
	5254-Tourism (Plan)	100.00	Nil
2009-10	2230-Labour & Employment (Plan)	13.00	Nil
2010-11	2702-Minor Irrigation (Plan)	3,571.00	Nil
	2705-Command Area Development (Plan)	29.00	Nil
	4059-Public Works (Plan)	100.00	Nil
	4235-Social Security & Welfare (Construction of Aganwadi Centre (100%CSS))	428.75	Nil
2011-12	2702-Minor Irrigation (Plan)	3,800.00	Nil
	5452-Tourism (Plan)	100.00	Nil
	4235-Social Security & Welfare (Plan)	428.75	Nil
	Total	10,553.02	

2.5.1.10 Rush of expenditure

As per Note 3 under Rule 84 of SFR, rush of expenditure, particularly in the closing month of the financial year, is to be regarded as a breach of financial propriety and should be avoided. Contrary to this, rush of expenditure during the last quarter was noticed during the grant review. Rush of expenditure during March ranged from 21 to 66 per cent of the total expenditure as shown below:

Table 2.21: Trend of Rush of expenditure

(₹ in lakh)

Particulars	2008-09	2009-10	2010-11	2011-12
Expenditure during April to December	5,279.38	3,442.49	637.10	1,316.04
Expenditure during January to February	3,334.33	2,148.64	547.58	197.28
Expenditure during March (Percentage of expenditure during March to total expenditure in bracket)	3,052.40 (26)	3,364.26 (38)	2,269.18 (66)	404.49 (21)
Total	11,666.11	8,955.39	3,453.86	1,917.81

Note: Records for 2007-08 not available, hence not included in the above table

Further analysis revealed that rush of expenditure during closing month of the year ranging from 24 to 100 per cent of total expenditure were noticed in 29 Heads under Grant No. 38 as detailed in **Appendix – 2.11**.

2.6 Conclusion

Against the total provision of ₹ 5,375.91 crore during 2011-12, an expenditure of ₹ 3,945.51 crore was incurred. This resulted in an unspent provision of ₹ 1,430.40 crore (26.61 per cent). Excess expenditure of ₹ 9.05 crore relating to the period 2007-08 to 2010-11 required regularisation under Article 205 of the Constitution. Expenditure aggregating ₹ 9.41 crore in one case was incurred without any provision. While, supplementary provision of ₹ 281.21 crore in 28 cases was unnecessary, re-appropriation of funds in 12 cases was made injudiciously resulting in either un-utilised provision or excess over provision. In 48 cases,

₹ 983.79 crore was surrendered on the last two working days of the financial year. ₹ 144.06 crore drawn during 2007-12 as advances remained to be settled, distorting the amount of expenditure being shown as such.

2.7 Recommendations

Budgetary control should be strengthened in all departments to avoid cases of provision remaining unutilised. Excessive/unnecessary supplementary provision and re-appropriation of funds injudiciously should be avoided. Budget should be prepared keeping in view the actual requirement of funds and it should neither be under/over pitched. The re-appropriation of funds at the close of the financial year also requires attention. The departmental budgets should be more realistic and cases of persistent non-utilisation of funds, excessive provision of funds should be avoided. Rush of expenditure during the last quarter of the financial year particularly in the month of March are required to be avoided. The departments should forecast the budget in close proximity to actual requirements and the FRED should take effective steps to prepare a Budget Manual enumerating detailed procedures for better financial management.