

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 Accounts. These Accounts list the original budget estimate, 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 Accounts in respect of both charged and voted items of budget. The Appropriation Accounts thus facilitate management of finances and Accounts.

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

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2011-12 against 73 Grants/Appropriations is given in **Table 2.1**:

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

(₹ in crore)

	Name of Expenditure	Original Grant/ Appropriation	Supplementary Grant/ Appropriation	Total	Actual Expenditure ¹	Savings (-)/ Excess (+)
Voted	I - Revenue	3316.22	1409.90	4726.12	4106.90	- 619.22
	II - Capital	2524.21	1438.82	3963.03	2066.29	- 1896.74
	III - Loans and Advances	5.02	7.03	12.05	9.69	- 2.36
TOTAL VOTED		5845.45	2855.75	8701.20	6182.88	-2518.32
Charged	IV - Revenue	294.45	45.59	340.04	310.96	- 29.08
	V - Capital	...	...	...	...	...
	VI - Public Debt-Repayment	220.82	...	220.82	137.33	- 83.49
TOTAL CHARGED		515.27	45.59	560.86	448.29	- 112.57
Appropriation to Contingency Fund (if any)		...	...	...	...	...
GRAND TOTAL		6360.72	2901.34	9262.06	6631.17	- 2630.89

The overall savings of ₹ 2630.89 crore was the result of savings of ₹ 2674.64 crore in 56 Grants and five Appropriations under Revenue Section, 35 Grants and one

¹ These are gross figures without taking into account the recoveries adjusted in accounts as reduction of expenditure under Capital Expenditure (₹ 40.42 lakh).

Appropriation under Capital Section, offset by excess of ₹ 43.75 crore in 8 Grants each under Revenue and Capital Sections.

The savings/excess (detailed in the Appropriation Accounts) were intimated (October 2012) to the Controlling Officers, with a request to explain the reasons for significant variations. Out of 135 Major Heads, explanations for variations were received for 129 Major Heads.

2.3 Financial Accountability and Budget Management

2.3.1 Appropriation vis-à-vis Allocative Priorities

The outcome of the appropriation audit revealed that in 26 cases, savings exceeded ₹ 1 crore in each case and by more than 20 per cent of total provision (**Appendix 2.1**). Against the total savings of ₹ 2674.64 crore, savings of ₹ 2568.19 crore (96.02 per cent) exceeding ₹ 10 crore in each case occurred in 22 Grants as indicated in **Table 2.2**.

Table 2.2: List of Grants with Savings of ₹ 10 crore and above

(₹ in crore)

Sl. No	Number and Name of the Grant	Original Provision	Supplementary Provision	Total	Actual Expenditure	Savings
REVENUE - VOTED						
1.	6 District Administration	223.49	145.02	368.51	330.07	38.44
2.	23 Forests	176.76	13.97	190.73	141.21	49.52
3.	24 Agriculture	131.74	4.24	135.98	99.28	36.70
4.	26 Rural Works	70.13	27.95	98.08	86.86	11.22
5.	27 Panchayat	59.94	14.51	74.45	32.32	42.13
6.	31 Public Works	94.09	67.16	161.25	123.01	38.24
7.	32 Roads & Bridges	78.20	145.26	223.46	182.45	41.01
8.	38 Water Resources Department	93.13	110.68	203.81	152.28	51.53
9.	45 Civil Aviation	20.97	13.16	34.13	17.18	16.95
10.	47 Administration of Justice	19.28	0.74	20.02	4.31	15.71
11.	50 Secretariat Economic Services	236.39	-	236.39	7.63	228.76
REVENUE - CHARGED						
12.	97 Public Debt	287.81	41.55	329.36	300.81	28.55
CAPITAL - VOTED						
13.	8 Police	16.30	18.30	34.60	17.10	17.50
14.	15 Health & Family Welfare	13.55	49.69	63.24	50.47	12.77
15.	32 Roads & Bridges	354.49	265.70	620.19	569.47	50.72
16.	33 North-eastern areas	134.04	18.42	152.46	114.87	37.59
17.	34 Power	58.75	106.93	165.68	120.54	45.14
18.	38 Water Resource Department	12.11	89.74	101.85	61.06	40.79
19.	50 Secretariat Economic Services	1585.22	-	1585.22	1.21	1584.01
20.	57 Urban Development	99.63	105.96	205.59	144.30	61.29
21.	59 Public Health Engineering	18.73	67.32	86.05	49.92	36.13
CAPITAL - CHARGED						
22.	97 Public Debt	220.82	0	220.82	137.33	83.49
TOTAL		4005.57	1306.30	5311.87	2743.68	2568.19

2.3.2 Persistent Savings

In four cases (Table 2.3), during the last five years there were persistent savings of more than ₹ 1 crore each and by 10 per cent or more of the total grant.

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

(₹ in crore)

Sl. No	Number and Name of Grant	Amount of Savings				
		2007-08	2008-09	2009-10	2010-11	2011-12
REVENUE - VOTED						
1.	50-Secretariat Economic Services	523.23 (94)	1179.28 (99)	784.95 (99)	663.43 (99)	228.76 (97)
CAPITAL - VOTED						
2.	34-Power	63.52 (40)	45.87 (28)	62.52 (27)	12.62 (12)	45.14(27)
3.	38-Water Resources Department	10.28 (51)	18.02 (20)	35.95 (49)	21.80 (19)	40.79 (40)
4.	97- Public Debt	116.99 (60)	121.08 (66)	88.38 (44)	104.77 (55)	83.49 (38)

(Figures in parentheses indicate percentage of savings to total provision)

One Grant, viz. 'Secretariat-Economic Services' posted large savings persistently for the last five years. There were also instances of inadequate provision of funds and unnecessary/excessive/re-appropriations, indicating poor budgeting and inadequate control over allocations.

2.3.3 Excess Expenditure

In six cases, expenditure aggregating ₹ 686.55 crore exceeded the approved budget provision by ₹ 1 crore or more in each case or by more than 20 per cent of the total provisions (Table 2.4).

Table 2.4: Details of Grants/Appropriations where excess expenditure was more than ₹ one crore each or more than 20 per cent of the total provision

(₹ in crore)

Sl. No.	Grant No	Name of Grant/Appropriation	Total Grant/ Appropriation	Total Expenditure	Percentage of Excess Expenditure
REVENUE - VOTED					
1.	8	Police	298.38	299.93	0.52
2.	16	Art & Cultural Affairs	6.03	8.22	36.32
3.	34	Power	315.53	319.10	1.13
4.	65	Department of Tirap & Changlang Districts	1.00	2.93	193.00
CAPITAL - VOTED					
5.	45	Civil Aviation	0.74	9.91	1239.18
6.	65	Department of Tirap & Changlang Districts	24.00	46.46	93.58
TOTAL			645.68	686.55	6.33

2.3.4 Expenditure without Provision

As per the Budget Manual, expenditure should not be incurred on a scheme/service without provision of funds. It was, however, noticed that expenditure of ₹ 34.14 crore was incurred in six Grants and two Appropriation, as detailed in Appendix - 2.2, without any provision in the Original Estimates/Supplementary Demand and without any re-appropriation orders to that effect. Significant cases of such expenditure involving expenditure in excess of ₹ 1 crore are given in Table 2.5.

Table 2.5: Expenditure incurred without provision during 2011-12

(₹ in crore)

Grant/Appropriation Number - Major Head of Account - Sub Head - Detailed Head	Expenditure Without Provision
11-4235-02-800-01- Creation of Assets	27.88
32-07-5-5054-04-800-15- Construction of Road on Bameng to Loda	2.63
29-4425-106-02- Multipurpose Co-operatives	1.62

2.3.5 Excess over provisions relating to previous year requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get any excess over a Grant/Appropriation regularised by the State Legislature. Although no time limit for regularisation of expenditure has been prescribed under the Constitution, the regularisation of excess expenditure is done after completion of discussion of the Appropriation Accounts by the Public Accounts Committee (PAC). However, excess expenditure amounting to ₹ 1283.95 crore for the years from 1986-87 to 2010-11 was yet to be regularised as detailed in **Appendix 2.3**.

2.3.6 Excess over provisions during 2011-12 requiring regularisation

Table 2.6 contains a summary of total excesses in 15 cases of Grants amounting to ₹ 43.75 crore over authorisation from the Consolidated Fund during 2011-12, which required regularisation under Article 205 of the Constitution.

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

(₹ in crore)

Sl. No.	Number and Name of Grant/Appropriation	Total Grant/ Appropriation	Expenditure	Excess
REVENUE - VOTED				
1.	8 – Police	298.38	299.93	1.55
2.	16 - Arts and Cultural Affairs	6.03	8.22	2.19
3.	29 – Co-operation	11.68	12.57	0.89
4.	34 – Power	315.53	319.10	3.57
5.	48 – Horticulture	35.89	36.14	0.25
7.	65 – Department of Tirap and Changlang Districts	1.00	2.93	1.93
7.	66 – Hydro Power Development	39.77	40.32	0.55
CAPITAL - VOTED				
8.	19 – Industries	6.39	6.51	0.12
9.	37 – Legal Metrology and Consumer Affairs	3.19	3.50	0.31
10.	39 – Loans to Government Servants	3.60	3.74	0.14
11.	43 – Fisheries	5.37	5.49	0.12
12.	45 – Civil Aviation	0.74	9.91	9.17
13.	47 – Administration of Justice	4.97	5.43	0.46
14.	62 – Directorate of Transport	3.47	3.51	0.04
15.	65 – Department of Tirap and Changlang Districts	24.00	46.46	22.46
TOTAL		760.01	803.76	43.75

2.3.7 Unnecessary/Excessive/Inadequate Supplementary Provision

Supplementary provision aggregating ₹ 68.30 crore obtained in eight cases, (₹ 10 lakh or more in each case) during the year proved unnecessary as the expenditure did not come up to the level of the original provisions, as detailed in **Table 2.7**.

Table 2.7: Cases of Unnecessary Supplementary Provision (₹ 10 lakh or more in each case)

(₹ in crore)

Sl. No.	Number & Name of Grant/Appropriation		Original Provision	Actual Expenditure	Savings out of Original Provision	Supplementary Provision
REVENUE - VOTED						
1.	23	Forests	176.75	141.21	35.54	13.97
2.	24	Agriculture	131.74	99.28	31.46	4.24
3.	27	Panchayat	59.94	32.32	27.62	14.52
4.	45	Civil Aviation	20.98	17.18	3.80	13.16
5.	47	Administration of Justice	19.28	4.31	14.97	0.74
6.	52	Sports and Youth Services	20.77	17.61	3.16	2.74
7.	68	Town Planning Department	5.95	1.81	4.14	0.51
CAPITAL - VOTED						
8.	33	North-Eastern Areas	134.04	114.87	19.17	18.42
TOTAL			569.45	428.59	139.86	68.30

In five cases (Table 2.8), the supplementary provision of ₹ 176.89 crore proved insufficient by more than ₹ one crore in each case, leaving an aggregate excess expenditure of ₹ 38.94 crore over the supplementary provision.

Table 2.8: Cases of Insufficient Supplementary Provisions

(₹ in crore)

Sl. No.	Number and Name of Grant/Appropriation		Original Provision	Supplementary Provision	Total	Expenditure	Excess
REVENUE - VOTED							
1.	8 – Police		238.78	59.60	298.38	299.93	1.55
2.	16 - Art & Cultural Affairs		5.11	0.92	6.03	8.22	2.19
3.	34 – Power		223.25	92.28	315.53	319.10	3.57
CAPITAL – VOTED							
4.	45 – Civil Aviation		0.65	0.09	0.74	9.91	9.17
5.	65 – Department of Tirap and Changlang Districts		0.00	24.00	24.00	46.46	22.46
TOTAL			467.79	176.89	644.68	683.62	38.94

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 ₹ 10 lakh in each Sub-head of 77 Grants/Appropriations as detailed in Appendix 2.4.

2.3.9 Unexplained Re-appropriation

According to the Budget Manual, reasons for additional expenditure and savings should be explained in the Re-appropriation Statement and vague expressions such as “less requirement of funds”, “requirement of more funds,” etc., should be avoided. Scrutiny of re-appropriation orders issued by the Finance Department revealed that in respect of some cases, reasons given for additional provision/withdrawal of provision

in the re-appropriation orders were release of additional funds by the Government of India for major works, non-receipt of funds from the Finance Department, non-completion of construction works in time, etc.; while in most cases, vague expressions like, 'based on actual requirement,' etc., were shown as reasons for re-appropriation.

2.3.10 Substantial Surrenders

Substantial surrenders (cases where more than 50 per cent of the total provision was surrendered) were made in respect of seven Grants and one Appropriation. Out of the total provisions of ₹ 325.01 crore in these cases, ₹ 271.67 crore (83.59 per cent) was surrendered during the year, reasons for which were not stated. Details of such cases are given in **Table 2.9** below.

Table 2.9: Cases of Substantial Surrenders made during the year

(₹ in crore)					
Sl. No.	Number and Title of Grant		Head of Account	Amount Surrendered	% of Surrender
1.	12	Social Security and Welfare	2235-60-800-04	0.21	84.00
2.	19	Industries	08-2852-80-800-05	1.00	100.00
3.	19	Industries	2851-800-11	0.60	100.00
4.	50	Secretariat Economic Services	3451-090-01	117.65	78.83
5.	50	Secretariat Economic Services	2575-60-800-08	79.40	100.00
6.	50	Secretariat Economic Services	4070-800-02	69.93	83.07
7.	67	State Information Commission	03-2070-105-02	0.11	100.00
8.	97	Public Debt	6003-108-03	2.77	97.24
TOTAL				271.67	83.59

2.3.11 Anticipated Savings not surrendered

As per the Budget Manual, spending Departments are required to surrender Grants/Appropriations or portions thereof to the Finance Department as and when savings are anticipated. At the end of the financial year 2011-12, there were 57 Grants/Appropriations where there were savings (₹ 10 lakh and above in each case), but were not surrendered by the Departments concerned. The amount involved in these cases was ₹ 643.15 crore (**Appendix 2.5**). Out of the 57 cases, savings were more than ₹ one crore in 32 cases.

Similarly, out of the total savings of ₹ 2653.95 crore under 37 Grants/Appropriations (where savings of ₹ 1 crore and above occurred in each Grant/Appropriation), an amount aggregating ₹ 1845.52 crore (69.54 per cent of total savings) was not surrendered, details of which are given in **Appendix 2.6**. Due to the non-surrender of anticipated savings by the Departments concerned, there was no scope on the part of the Finance Department to utilize the funds for other purposes.

2.3.12 Rush of Expenditure

Rush of expenditure at the end of the financial year can lead to infructuous, nugatory or ill-planned expenditure. As such, Government expenditure is required to be evenly phased over the year as far as possible. It was, however, noticed that during 2011-12, expenditure during the fourth quarter and in the month of March compared to the total expenditure during the year ranged between 20.61 per cent and 91.62 per cent and 14.73 per cent to 80.29 per cent respectively in case of 12 illustrative major Heads of Account, as indicated in **Table 2.10** below:

Table 2.10: Cases of Rush of Expenditure towards the end of the Financial Year
(₹ in crore)

Sl. No.	Major Head	Total Expenditure during the Year	Expenditure during January - March 2012		Expenditure during March 2012	
			Amount	% of Total Expenditure	Amount	% of Total Expenditure
1.	2202	535.65	208.81	38.98	144.89	27.05
2.	2210	230.02	90.62	39.40	50.57	21.99
3.	2235	106.41	69.71	65.51	54.61	57.32
4.	2401	127.97	65.68	57.32	49.59	38.75
5.	2406	140.84	79.92	56.75	68.88	48.91
6.	2408	71.69	14.83	20.69	10.56	14.73
7.	2515	95.05	55.43	58.32	49.95	52.55
8.	2801	353.04	179.32	50.79	154.10	43.65
9.	3054	225.33	142.52	63.25	121.26	53.81
10.	4215	49.92	49.73	91.62	40.08	80.29

2.4 Non-reconciliation of Departmental Figures

2.4.1 Pending submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills

Rules provide that drawals through Abstract Contingent Bills (AC Bills) require presentation of Detailed Countersigned Contingent Bills (DCC Bills) to the Controlling Officer (CO) and transmission of the same to the Accountant General. A Certificate is also required to be attached to every AC Bill to the effect that DCC Bills have been submitted to the CO in respect of all one month old AC Bills (drawn more than a month before the date of the Bill).

Records available in respect of some Drawing & Disbursing Officers (DDOs)/COs revealed that from April 2009 onwards, 1138 DCC Bills amounting to ₹ 18.83 crore were not furnished to the Accountant General as of March 2012. Thus, due to non-submission of DCC Bills, the actual expenditure against these drawals remained un-assessed, indicating a serious deficiency in control over expenditure. The year-wise position is given in **Table 2.11** below.

Table 2.11: Position of Pending DCC bills

(₹ in crore)				
Year	Total Amount Drawn during the Year	Number of Pending DCC Bills	% of Outstanding Amount	Amount Involved
2009-10	25.84	113	45.28	11.70
2010-11	2.93	545	48.46	1.42
2011-12	7.60	480	75.13	5.71
TOTAL	36.37	1138	51.77	18.83

2.4.2 Un-reconciled Expenditure

To enable COs of Departments to exercise effective control over expenditure, to keep it within 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. 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. Five COs did not reconcile expenditure amounting to ₹ 20.24 crore as of March 2012. Details are given in **Table 2.12**.

Table 2.12: Un-reconciled Expenditure

(₹ in crore)			
Sl. No.	Controlling Officers	Number of Heads of Account involved	Amount not Reconciled
1.	Director, North-Eastern Areas	2552, 4552	11.83
2.	Director of Prisons	2056	4.67
3.	Secretary, Social Security and Welfare	2235	0.31
4.	Compiler, Gazetteer	2070	0.80
3.	Director, Loans to Govt. Servants	7610	2.63
Total			20.24

2.5 Conclusion and Recommendations

In 2011-12, there was net savings of ₹ 2630.89 crore, which was the result of savings of ₹ 2674.64 crore, offset by excess of ₹ 43.75 crore. The excess of ₹ 157.64 crore needed to be regularized as per Article 205 of the Constitution. There were large persistent savings in 4 Grants for the last five years. There were instances of inadequate provision of funds and unnecessary/excessive re-appropriations. Rush of expenditure at the end of the Financial Year is another chronic feature noticed in the overall financial management. In many cases, anticipated savings were not surrendered, leaving no scope for utilising these funds for other development purposes. Detailed Bills were not submitted for a large amount of advances drawn on Abstract Contingent Bills.

Budgetary Controls should be strictly observed to strengthen Financial Management.