

CHAPTER II

FINANCIAL MANAGEMENT AND BUDGETARY CONTROL

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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 the 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 2012-13 against 53 Grants/Appropriations (50 Grants and three Appropriations) is indicated in the following table:

**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	5729.98	508.84	6238.82	4881.61	-1357.21
	II Capital	2098.38	60.76	2159.14	1505.29	-653.85
	III Loans and Advances	7.00	-	7.00	3.30	-3.70
Sub-total Voted		7835.36	569.60	8404.96	6390.20	-2014.76
Charged	IV Revenue	428.65	5.54	434.19	439.63	5.44
	V Capital	-	-	-	-	-
	VI Public Debt-Repayment	175.64	-	175.64	698.49	522.85
Sub-total Charged		604.29	5.54	609.83	1138.12	528.29
Appropriation to Contingency Fund		-	-	-	-	-
Grand Total		8439.65	575.14	9014.79	7528.32	-1486.47

(Source: Appropriation Accounts)

The overall saving of ₹ 1486.47 crore was the net result of saving of ₹ 2027.89 crore in 48 Grants and two Appropriations under Revenue Section and 28 Grants under Capital Section, offset by excess of ₹ 541.42 crore in two Grants under Revenue Section and one Appropriation (Appropriation No. 2 – Interest Payment and Debt Services)¹.

Substantial savings occurred in Planning (Revenue voted) (₹ 634.57 crore), Social Welfare (Revenue voted) (₹ 155.51 crore), Irrigation and Flood Control (Capital voted) (₹ 141.78 crore), Public Health Engineering (Capital voted) (₹ 116.28 crore), and Minor Irrigation (Capital voted) (₹ 89.88 crore).

Excess expenditure occurred mainly in Appropriation No. 2 – Interest Payment and Debt Services, both under Capital Charged (₹ 522.85 crore) and Revenue Charged (₹ 17.07 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 55 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**. It can be seen that no expenditure were incurred in case of 3 Grants². There were 14 cases³ where Savings were 50 *per cent* and above of the total provision in each case.

Against the total savings of ₹ 2027.89 crore, savings of ₹ 1730.24 crore (85 *per cent*) occurred in 16 cases relating to 15 Grants, where savings were ₹ 30 crore and above in each case. Details are indicated in the following table:

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

² Grant No. 26 under Revenue Charged, Grants No. 3 and 5 under Capital voted.

³ Grants No. 21, 30 & 44 (Revenue Voted), Grants No. 1 & 5 (Revenue Charged), and Grants No. 2, 9, 10, 18, 21, 22, 25, 36 & 45 (Capital Voted)

Table 2.2: List of Grants with savings of ₹ 30 crore and above

(₹ in crore)						
Sl. No.	No. and Name of the Grant	Original	Supplementary	Total	Actual Expenditure	Saving
Revenue voted						
1	5 – Finance	720.35	111.90	832.25	801.22	31.03
2	7 – Police	816.84	21.29	838.13	782.88	55.25
3	10 – Education	688.56	114.74	803.30	742.77	60.53
4	14 – Tribal Affairs and Hills Department	392.07	0.00	392.07	343.54	48.53
5	17 – Agriculture	161.13	0.00	161.13	103.89	57.24
6	20 – Community Development , IRDP and NREP ⁴	216.93	0.00	216.93	162.01	54.92
7	21 – Commerce and Industries	128.11	0.00	128.11	62.20	65.91
8	30 – Planning	719.62	0.00	719.62	85.05	634.57
9	44 – Social Welfare Department	139.31	114.85	254.16	98.65	155.51
	Sub-total	3982.92	362.78	4345.70	3182.21	1163.49
Capital voted						
10	8 – Public Works Department	362.01	0.00	362.01	314.90	47.11
11	10 – Education	53.90	4.57	58.47	9.47	49.00
12	12 – Municipal Administration, Housing and Urban Development	145.44	2.57	148.01	89.82	58.19
13	22 – Public Health Engineering	233.86	0.00	233.86	117.58	116.28
14	23 – Power	204.23	0.00	204.23	139.72	64.51
15	36 – Minor Irrigation	102.00	5.75	107.75	17.87	89.88
16	40 – Irrigation and Flood Control Department	631.48	25.66	657.14	515.36	141.78
	Sub-total	1732.92	38.55	1771.47	1204.72	566.75
	Total	5715.84	401.33	6117.17	4386.93	1730.24

(Source: Appropriation Accounts)

It was seen that in 14 cases (excepting Sl. No. 1 and 3) the actual expenditure was less than the original provision in each case. In respect of six cases, the supplementary provisions were unnecessary (Sl. No. 2, 9, 11, 12, 15 and 16). Further, in four cases viz. Planning (₹ 634.57 crore) and Social Welfare (₹ 155.51 crore) under Revenue Voted, Public Health Engineering (₹ 116.29 crore) and Irrigation and Flood Control (₹ 141.78 crore) under Capital voted, there was saving of more than ₹ 100 crore in each case.

The Police Department stated (July 2013) that the main reasons for saving were non-receipt of sanction from the Government and from the Ministry of Home Affairs, non-payment of salaries due to non-filling up of vacant posts and non-preparation of arrear of increment of employees of Police Department. The Adult Education Department⁵ stated (August 2013) that the main reasons for saving were non-payment of salary, electricity and water charges.

2.3.2 Persistent savings

In 10 cases, during the last five years there were persistent savings of more than ₹ 50 lakh and above in each case in the following sub-heads of accounts:

⁴ IRDP – Integrated Rural Development Programme; NREP – National Rural Employment Programme.

⁵ Adult Education Department is one of the Departments included under Grant No.10 – Education.

Table 2.3: List of Sub-Heads of Persistent Savings during 2008-13

(₹ in lakh)

Sl. No.	Heads of Accounts	Amount of savings				
		2008-09	2009-10	2010-11	2011-12	2012-13
Revenue-Voted						
1	2014 - Administration of Justice 102 - High Courts 08 - High Court(Charged)	412.35	600.00	562.23	571.88	1,045.76
2	2055 - Police 109 - District Police 16 - Chandel District	84.70	157.61	76.85	255.58	888.64
3	2055 - Police 115 - Modernisation of Police Force 25 - Modernisation of Police Forces	2,293.23	1,337.40	80.51	3,445.23	1,064.00
4	2059 - Public Works 053 - Maintenance and Repairs 09 - Functional Buildings	1,279.44	1,018.31	447.73	648.85	674.58
5	3054 - Roads and Bridges 337 - Road works 19 - Other District Roads	130.85	349.82	517.01	455.34	138.90
6	4552 - Capital Outlay on North Eastern Areas 337 - Road Works 15(H) – North Eastern Council Works	278.16	209.74	2,199.54	1,714.13	1,121.49
7	4702 - Capital Outlay on Minor Irrigation 800 - Other Expenditure 02(H) - Accelerated Irrigation Benefit Programme	962.04	2,232.00	2,200.00	1,338.00	3,750.00
8	4702 - Capital Outlay on Minor Irrigation 800 - Other Expenditure 02(V) - Accelerated Irrigation Benefit Programme	962.04	2,232.00	2,200.00	1,072.00	5,110.34
9	4711 - Capital Outlay on Flood Control Projects 103 - Civil Works 03(V) - Civil Works	249.25	260.00	217.86	516.95	6,053.10
10	5054 - Capital Outlay on Roads and Bridges 337 - Road Works 16 - National Highway No. 39	500.00	500.00	500.00	500.00	500.00

* H–Hill, V–Valley

(Source: Records of Voucher Level Computerisation of the Office of the Accountant General (A&E))

Persistent savings in respect of three cases⁶ were ₹ five crore or more during the period 2008-13. In case of Sl. No. 10, there were consistent savings of the same amount of ₹ five crore during the last five years. This had occurred because the amount was transferred from this sub-head of accounts to another sub-head of accounts within the major head of accounts. As this is routinely recurring over the last five years, it is indicative of a lack of attention and want of exercise of checks during the budgetary planning and finalisation processes.

⁶ (1) Accelerated Irrigation Benefit Programme (Hills) (Sl. No. 7); (2) Accelerated Irrigation Benefit Programme (Valley) (Sl. No.8) and (3) National Highway No. 39 (Sl. No. 10).

2.3.3 Persistent Excess Expenditure

During the period 2008-13, there were seven cases of persistent excess expenditure in the following sub-heads of accounts:

Table 2.4: List of Sub-Heads of Persistent Excesses during 2008-13

(₹ in lakh)

Sl. No.	Heads of Accounts	Amount of excess				
		2008-09	2009-10	2010-11	2011-12	2012-13
1	2071 - Pensions and Other Retirement Benefits 102 - Commuted value of Pension 06 - Commuted Value of Pension	394.82	690.84	117.08	548.57	829.42
2	2071 - Pensions and Other Retirement Benefits 115 - Leave Encashment Benefits 44 - Leave Salaries	0.56	611.31	832.99	1050.37	1936.10
3	2210 - Medical and Public Health 110 - Hospital and Dispensaries 15(V) - Hospitals	238.04	236.57	372.60	373.39	287.51
4	2801 - Power 101 - Purchase of Power 40 - United Common Pool Transmission Tariff Charge for Power Grid Corporation of India Limited	1058.93	272.12	1682.21	1421.33	359.15
5	5054 - Capital Outlay on Roads and Bridges 337 - Road Works 06 - Deduct Amount transferred to Other Major Heads	500.00	500.00	500.00	500.00	500.00
6	5054 - Capital Outlay on Roads and Bridges 800 - Other Expenditure 37(H) - Inter Village Roads	214.07	156.46	801.19	87.07	723.31
7	5054 - Capital Outlay on Roads and Bridges 800 - Other Expenditure 37(V) - Inter Village Roads	214.07	156.46	801.19	1200.41	925.76

H – Hills, V – Valley

(Source: Records of Voucher Level Computerisation of the Office of the Accountant General (A&E))

It may be seen from the above table, under the Major Head (MH)-2071- Pensions and Other Retirement Benefits, 44-Leave Salaries (Sl. No. 2) the amount of excess expenditure continually increased during the period 2008-13 and the amount of excess was ₹ 19.36 crore during 2012-13. The details of the State Government employees have been captured on a computerised database since 2006. With such a computerised database, the number of employees retiring from service should have been known in advance, and the financial impact of retirement benefits could have been better worked out beforehand. Therefore, the excess of expenditure in respect of Commuted Value of Pension (Sl. No. 1) and Leave Salaries (Sl. No. 2), especially in case of Sl. No. 2 where the excess of expenditure continually increased is unacceptable. This implies that the database of employees were either unreliable, or was not used in the budgetary forecast.

In case of excess under the MH-5054-800-37(V), the amount was transferred from another sub-head of accounts within the major head. As this was done routinely, the budgetary provision made was unrealistic.

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 ₹ 73.73 crore was incurred in 34 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, Backward Regions Grant Fund (Hill) under Community Development, IRDP and NREP (State Plan)⁷ expenditure without provision of fund exceeded ₹ 20 crore viz, (₹ 21.99 crore).

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**, ₹ 7291.30 lakh drawn at the fag end of the year during March 2013 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). The excess over provisions of ₹ 213.60 crore relating to the periods 2007-10 had been regularized by the State Legislature. However, excess expenditure amounting to ₹ 151.80 crore for the years 2010-12 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 following table:

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 November 2013)
2010-11	6	1	62.42	Excess expenditure yet to be discussed by PAC.
2011-12	12	2	89.38	-do-
Total:	18	3	151.80	

(Source: Appropriation Accounts)

⁷ Sl. No. 14 of the Appendix, under Grant No. 20

2.3.7 Excess over provisions during 2012-13 requiring regularization

The following table contains the summary of total excess over authorization in 4 cases⁸ amounting to ₹ 541.42 crore from the Consolidated Fund of the State during 2012-13 and requires regularization under Article 205 of the Constitution.

Table 2.6: Excess over provisions during 2012-13 requiring regularization

(in ₹)

Sl. No.	Number and title of Grant/Appropriation	Total provision	Expenditure	Excess
Revenue Voted				
1	39 – Sericulture	271176000	277919990	6743990
2	40 – Irrigation and Flood Control Department	508611000	516827530	8216530
	Sub total:	779787000	794747520	14960520
Revenue Charged				
3	Appropriation No. 2 - Interest Payment & Debt Services	4159297000	4330081719	170784719
	Sub total:	4159297000	4330081719	170784719
Capital Charged				
4	Appropriation No. 2 – Interest Payment & Debt Services	1756432000	6984902147	5228470147
	Sub total:	1756432000	6984902147	5228470147
	Total:	6695516000	12109731386	5414215386

(Source: Appropriation Accounts)

In the previous year in 2011-12 there was an overdraft of ₹ 493.26 crore. Since the amount was to be re-paid, sufficient budgetary provision should have been provided to meet this contingency. Repayment of overdraft was a foreknown liability. Non-provision of adequate budgetary provision is indicative of the fact that no proper exercise was done in budgetary planning.

2.3.8 Unnecessary/Excessive/Inadequate supplementary provision

Supplementary provision aggregating to ₹ 208.49 crore in 22 cases, during the year proved unnecessary as the expenditure did not come up to the level of original provision.

Out of these, in three cases unnecessary supplementary provisions provided exceeded ₹ 10 crore viz., Police (₹ 21.29 crore) (Sl. No. 4), Social Welfare (₹ 114.85 crore) (Sl. No. 11) under Revenue account and Irrigation and Flood Control (₹ 25.66 crore) (Sl. No. 22) under Capital account. The details are given in the following table:

⁸ Two Grants and one Appropriation.

Table 2.7: Statement showing unnecessary supplementary provision

(₹ in lakh)

Sl. No.	Number and name of Grant/Appropriation	Original provision	Expenditure	Savings out of Original Provision	Supplementary
	Revenue voted				
1	1 - State Legislature	3111.08	3003.28	107.80	326.52
2	3 - Secretariat	5718.03	5088.18	629.85	590.47
3	6 - Transport	569.71	501.82	67.89	60.46
4	7 - Police	81683.95	78288.23	3395.72	2129.33
5	18 - Animal Husbandry and Veterinary	7282.53	5896.19	1386.34	549.81
6	26 - Administration of Justice	1993.99	1627.05	366.94	310.55
7	33 - Home Guards	1066.89	1061.39	5.50	8.66
8	35 - Stationery and Printing	474.42	472.90	1.52	8.66
9	36 - Minor Irrigation	1062.98	1014.70	48.28	97.68
10	38 - Panchayat	5401.43	3683.85	1717.58	239.20
11	44 - Social Welfare Department	13931.12	9864.64	4066.48	11484.84
12	47 - Minorities, Other Backward Classes and Scheduled Castes Department	2447.16	1798.55	648.61	45.52
13	49 - Economics & Statistics	1274.08	1029.36	244.72	15.05
	Revenue charged				
14	Appropriation No.3 - Manipur Public Service Commission	287.68	266.34	21.34	3.30
	Capital voted				
15	10 - Education	5389.82	946.63	4443.19	457.13
16	11 - Medical, Health and Family Welfare Services	9099.00	7842.47	1256.53	781.62
17	12 - Municipal Administration, Housing and Urban Development	14543.72	8981.53	5562.19	257.37
18	14 - Tribal Affairs and Hills Department	850.00	792.67	57.33	184.65
19	18 - Animal Husbandry and Veterinary	340.00	60.00	280.00	57.00
20	25 - Youth Affairs and Sports Department	3785.00	1194.37	2590.63	100.41
21	36 - Minor Irrigation	10200.06	1787.20	8412.86	574.76
22	40 - Irrigation and Flood Control Department	63148.00	51536.09	11611.91	2565.82
	Total	233660.65	186737.44	46923.21	20848.81

(Source: Appropriation Accounts)

In three cases, supplementary provision of ₹ 7.43 crore proved insufficient by more than ₹ 50 lakh in each case, leaving an aggregate uncovered excess expenditure of ₹ 18.57 crore. Details are given in the following table:

Table 2.8: Statement showing major cases of insufficient supplementary provision

(₹ in lakh)

Sl. No.	Number and Title of Grant and Appropriation	Original	Supple-mentary	Total	Expendi-ture	Excess
	Revenue Voted					
1	39 - Sericulture	2637.57	74.19	2711.76	2779.2	67.44
2	40 - Irrigation and Flood Control Department	4968.37	117.74	5086.11	5168.27	82.16
	Revenue Charged					
3	Appropriation 2 – Interest Payment and Debt Services	41041.83	551.14	41592.97	43300.82	1707.85
	Total:	48647.77	743.07	49390.84	51248.29	1857.45

(Source: Appropriation Accounts)

In case of Appropriation No. 2 – Interest Payment and Debt Services (Capital Charged), no supplementary provision had been made despite a huge excess of expenditure of ₹ 522.85 crore. In another case of the same Appropriation under Revenue account, the excess of expenditure of ₹ 17.07 crore occurred despite providing supplementary provision. Thus, it indicates deficiency in the budgetary management and lack of financial control.

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 ₹ one crore or more in each case and resulted in excess of expenditure of ₹ 23.70 crore in 38 sub-heads (Sl. Nos. 96 to 133 of Appendix 2.5). Injudicious re-appropriation also proved excessive by ₹ one crore or above in 95 sub-heads (Nos. 1 to 95 of Appendix 2.5) resulting in savings of ₹ 514.29 crore. This resulted in overall savings of ₹ 276.99 crore in these 133 sub-heads as detailed in **Appendix 2.5**.

Despite re-appropriation, there were savings of ₹ 30 crore or more in three cases involving two departments viz., Minor Irrigation Department (₹ 37.50 crore under 4702.0.800.2 (Hill) at Sl. No. 64 and ₹ 51.10 crore under 4702.0.800.2 (Valley) at Sl. No. 65), and Social Welfare Department (₹ 72.00 crore under 2236.2.101.48 (Valley) at Sl. No. 69).

On the excess side, there was one case in which excess of expenditure exceeded more than ₹ 50 crore viz., Planning Department (₹ 81.51 crore under 4059.80.800.1 (Valley) at Sl. No. 124).

2.3.10 Substantial surrenders

Substantial surrenders exceeding ₹ 10 crore in each case were made in respect of 6 sub-heads, out of which in three schemes/programmes, the whole provision amounting to ₹ 720.23 crore was surrendered. The details are given in **Appendix 2.6**. Planning Department accounted for majority (two cases) of substantial surrenders. Surrender of 100 *per cent* of fund involving substantial

amount of ₹ 720.23 crore is a matter of concern and indicates that fund provisions had been made without adequate planning and due consideration of requirements.

2.3.11 Surrenders in excess of actual saving

In two cases, the amount surrendered was in excess of actual savings (Revenue Voted) indicating lack of, or inadequate budgetary control in these departments. Against savings of ₹ 7.99 crore, the surrendered amount was ₹ 9.40 crore resulting in excess surrender of ₹ 1.41 crore as shown in the following table:

Table 2.9: Cases of surrender in excess of savings

(₹ in lakh)

Sl. No.	Grant No.	Total provision	Expenditure	Saving	Surrender	Amount surrendered in excess
1	11 – Medical, Health and Family Welfare Services	26823.13	26227.16	595.97	680.35	84.38
2	41 – Art and Culture	2424.43	2221.59	202.84	259.39	56.55
Total:		29247.56	28448.75	798.81	939.74	140.93

(Source: Appropriation Accounts)

2.3.12 Surrender despite excess of expenditure

In one case, viz. Appropriation No. 2 – Interest Payment and Debt Services (Capital charged), an amount of ₹ 2.94 crore was surrendered despite having excess of expenditure over total provision. The details are given in the following table:

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

(₹ in lakh)

Appropriation No.	Total Provision	Expenditure	Excess	Surrender
Appropriation No. 2 –Interest Payment and Debt Services (Capital Charged)	17564.32	69849.02	52284.70	293.61
Total:	17564.32	69849.02	52284.70	293.61

(Source: Appropriation Accounts)

Surrender of fund provision when there was excess of expenditure over budgetary provision shows total absence of budgetary control. Excess of expenditure under this head of accounts alone is more than the total excess of expenditure under the same head during 2007-12. Despite such huge excess of expenditure, surrender of fund indicates that no budgetary control mechanism was in place and could render budget mechanism to mere procedural exercise.

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 2012-13, there were, however, 42 Grants/Appropriations

(54 cases) in which savings occurred, but no part of which had been surrendered by the concerned Departments. The amount involved in these cases was ₹ 810.41 crore (55 per cent of the overall savings of ₹ 1486.47 crore) (**Appendix 2.7**). It is observed that in two cases, savings exceeded ₹ 100 crore but no part of which was surrendered viz., Social Welfare Department (₹ 155.51 crore – Sl. No. 27 of the **Appendix 2.7**) and Irrigation and Flood Control Department (₹ 141.77 crore – Sl. No. 51 of the **Appendix 2.7**).

Similarly, out of savings of ₹ 1994.01 crore under 32 Grants/Appropriations (44 cases) where saving was ₹ one crore and above in each case, only ₹ 886.14 crore pertaining to thirteen Grants⁹ could be surrendered leaving a balance savings of ₹ 1107.87 crore (55 per cent). Details are given in **Appendix 2.8**.

Besides, in 22 Grants (28 cases), ₹ 909.22 crore were surrendered on 31 March 2013 (**Appendix 2.9**) indicating inadequate financial control and the fact that these funds could not be utilized for the purpose it was sanctioned or 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 21 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 2013. Of these, in 6 cases involving ₹ 113.21 crore¹⁰, the whole expenditure was incurred in March, indicating that there was no control over the flow of expenditure. The irregularities in the pace of expenditure suggested lack of financial control.

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 Rules¹¹, 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 (A&E) 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 2003-13 was ₹ 1672.36 crore against the amount of AC bills of ₹ 2617.76 crore leading to an outstanding balance of DCC bills of ₹ 954.40 crore as on October 2013. Year wise details are given in the following table:

⁹ Grants Nos. 4, 8, 13, 14, 17, 20, 21, 30, 43 and 50 under Revenue Voted and Grant Nos. 8, 12, 22 and 23 under Capital Voted.

¹⁰ Sl. Nos. 2, 5, 16, 18, 19 and 23 of Appendix 2.10

¹¹ Rule 308, Rule 309 & Note 4 under Rule 312

Table 2.11: Pendency in submission of Detailed Countersigned Contingent Bills against Abstract Contingent Bills as on October 2013

(₹ in crore)

Year	Amount of AC bills	Amount of DCC bills submitted	Outstanding DCC bills	Outstanding DCC bills as percentage of AC bills drawn
2003-04	34.56	13.78	20.78	60.13
2004-05	82.53	77.65	4.88	5.91
2005-06	46.01	39.28	6.73	14.63
2006-07	149.68	107.24	42.44	28.35
2007-08	355.57	264.95	90.62	25.49
2008-09	592.34	538.83	53.51	9.03
2009-10	422.83	320.80	102.03	24.13
2010-11	354.36	158.35	196.01	55.31
2011-12	374.07	88.00	286.07	76.47
2012-13	205.81	63.48	142.33	69.16
Total:	2617.76	1672.36	945.40	

(Source: - Voucher Level Computerisation data of the Office of the AG (A&E), Manipur)

Department-wise pending DCC bills for the years up to 2012-13 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 (A&E). 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 2012-13 also. Out of 81 controlling officers (CO), 55 COs could not reconcile any of their accounts with the Office of the Accountant General (A & E). (Details are given in **Appendix 2.12**)

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, there were five PD accounts existing at the beginning of the year 2012-13 viz., Planning and Development Authority, Government Oil Depot, Manipur State Lotteries, Apex Housing Co-operative Society and Consumer Affairs and Public Distribution. There were two PD accounts in two District Treasuries¹² which were opened during 2012-13. Balance of ₹ 61.77 crore remained with these accounts, which was not transferred back to the respective service heads as of

¹² Government Oil Depot in Imphal West treasury and Consumer Affairs and Public Distribution in Lamphel Treasury.

31 March 2013. This has occurred despite having negative cash balance of ₹ 55.37 crore at the end of the financial year.

2.6 Outcome of review of selected grant

A review on budgetary procedure and control over expenditure was conducted (November 2013) in respect of “Grant No. 43 – Horticulture and Soil Conservation Department”.

Against a budget provision of ₹ 47.95 crore under revenue head, the actual expenditure was ₹ 41.64 crore resulting in saving of ₹ 6.31 crore. Under revenue accounts surrender of fund of ₹ 5.22 crore was made.

Cases of expenditure without budget provision (five cases), excess expenditure over provision (13 cases) and Excess/Unnecessary/Insufficient re-appropriation of funds (20 cases) noticed during the review are detailed below:

Expenditure without budget provision: In five cases, including works on soil survey and testing and soil conservation, an expenditure of ₹ 216.49 lakh was incurred without budget provision. The details are given in the following table:

Table 2.12: Expenditure without provision

(₹ in lakh)

Sl. No.	Head of accounts	Expenditure
1	2402(SP)-Soil and Water Conservation 101-Soil Survey and Testing 30(H)- Survey, Investigation and Planning	11.64
2	2402(SP)-Soil and Water Conservation 101-Soil Survey and Testing 30(V)- Survey, Investigation and Planning	16.50
3	2552 (NEC) – North Eastern Areas 102 – Soil Conservation 01(V) –Amelioration of Acid Soil on Horticulture Crop Area	71.00
4	2552(NEC) – North Eastern Areas 800 – Other expenditure 08(H) –Development of Progeny Orchards	113.83
5	2401(CSS) – Crop Husbandry 800 – Other expenditure 24(V) – Strengthening & Modernisation of Plant Quarantine Facilities in Manipur	3.52
	Total	216.49

SP – State Plan, NEC – North Eastern Council, CSS – Centrally Sponsored Scheme, H – Hills and V - Valley

(Source: Detailed Appropriation Accounts)

Excess over provision: In 13 cases, expenditure exceeded the budget provisions by ₹ 327.72 lakh in the following heads of accounts, reasons of which had not been furnished. The details are given in the following table:

Table 2.13: Excess over provision

(₹ in lakh)

Sl. No.	Head of account	Total (O+ S)*	Expenditure	Excess
1	2401(NP) – Crop Husbandry 001 - Direction and Administration 01 - Direction	189.01	229.74	40.73
2	2401(NP) – Crop Husbandry 119 – Horticulture and Vegetable Crops 04 - Fruit Preservation Factory	78.54	84.78	6.24
3	2415(NP) – Agricultural Research and Education 01 - Crop Husbandry 005 – Education 12 – Training of Graduate and Post Graduate	1.00	2.84	1.84
4	2401(SP) – Crop Husbandry 001 - Direction and Administration 01(H) – Direction	5.00	6.04	1.04
5	2401(SP) – Crop Husbandry 109 – Extension and Farmer's Training 28(V) – Strengthening of Horticulture Information Unit	5.00	6.43	1.43
6	2402(SP) – Soil and Water Conservation 001 – Direction and Administration 29(V) - Strengthening of Soil Conservation	23.50	43.45	19.95
7	2402(SP) – Soil and Water Conservation 101 – Direction and Administration 30(H) - Strengthening of Soil Conservation	0.00	11.64	11.64
8	2402(SP) – Soil and Water Conservation 101 – Direction and Administration 30(V) - Strengthening of Soil Conservation	0.00	16.50	16.50
9	2402(SP) – Soil and Water Conservation 103 – Land reclamation and Development 02(H) - Assistance to Small and Marginal Farmers for increasing Agricultural Production	24.00	45.29	21.29
10	2402(SP) – Soil and Water Conservation 103 – Land reclamation and Development 02(V) - Assistance to Small and Marginal Farmers for increasing Agricultural Production	8.00	26.71	18.71
11	2552 - North Eastern Areas 102 - Soil Conservation 01(V) - Amelioration of Acid Soil on Horticulture Crop Area Crash Scheme for Generation of Employment	0.00	71.00	71.00
12	2552 - North Eastern Areas 800 - Soil Conservation 08(H) -Development of Progeny Orchards	0.00	113.83	113.83
13	2401 – Crop Husbandry 800 – Other Expenditure 24(V) – Strengthening & Modernisation of Plant Quarantine Facilities in Manipur	0.00	3.52	3.52
	Total	334.05	661.77	327.72

SP – State Plan, NEC – North Eastern Council, CSS – Centrally Sponsored Scheme, H – Hills and V - Valley

* O–Original and S–Supplementary

(Source: Detailed Appropriation Accounts)

Excessive/unnecessary re-appropriation of funds: Excessive/unnecessary re-appropriation of funds resulted in savings (15 cases) and excesses (5 cases). Details are as shown in the following table:

**Table 2.14: Excess/Unnecessary/Insufficient re-appropriation of funds
(Savings (-)/Excess (+))**

(₹ in lakh)

Sl. No.	Head of Account	Original	Supplementary	Re-appropriation	Total	Expenditure	Final excess(+)/savings(-)
1	2	3	4	5	6	7	8
	<i>Saving Cases</i>						
1	2401 (NP).001.01	189.01	0.00	68.03	257.04	229.74	-27.30
2	2401 (NP).103.08	218.66	0.00	2.59	221.25	209.03	-12.22
3	2401 (NP).108.02	84.21	0.00	-24.03	60.18	59.19	-0.99
4	2401 (NP).109.07	88.10	0.00	-16.73	71.37	69.61	-1.76
5	2401 (NP).119.05	119.69	0.00	-1.74	117.95	117.30	-0.65
6	2402 (NP).001.01	734.36	0.00	-87.48	646.88	634.88	-12.00
7	2402 (NP).101.12	240.21	0.00	-9.39	230.82	219.5	-11.32
8	2402 (NP).102.10	351.99	0.00	-39.93	312.06	293.18	-18.88
9	2415 (NP).01.004.11	61.04	0.00	-17.09	43.95	38.61	-5.34
10	2415 (NP).01.005.12	1.00	0.00	2.00	3.00	2.84	-0.16
11	2401 (SP).001.01 (V)	25.00	0.00	1.00	26.00	18.87	-7.13
12	2402 (SP).001.29(H)	16.50	0.00	5.00	21.50	9.04	-12.46
13	2402 (SP).101.30(H)	0.00	0.00	16.00	16.00	11.64	-4.36
14	2402 (SP).103.02 (V)	8.00	0.00	20.00	28.00	26.71	-1.29
15	2402 (SP).800.01(H)	127.36	0.00	-89.86	37.50	13.89	-23.61
	Sub Total	2265.13	0.00	-171.63	2093.50	1954.03	-139.47
	<i>Excess Cases</i>						
16	2401(NP).001.03	688.93	0.00	-137.73	551.20	571.08	19.88
17	2401 (NP).119.04	78.54	0.00	1.85	80.39	84.78	4.39
18	2402 (SP).101.29(V)	23.50	0.00	12.86	36.36	43.45	7.09
19	2402 (SP).101.30(V)	0.00	0.00	16.00	16.00	16.50	0.50
20	2402 (SP).103.02(H)	24.00	0.00	20.00	44.00	45.29	1.29
	Sub Total	814.97	0.00	-87.02	727.95	761.10	33.15
	Total	3080.10	0.00	-258.65	2821.45	2715.13	-106.32

SP – State Plan, NEC – North Eastern Council, CSS – Centrally Sponsored Scheme, H – Hills and V – Valley

(Source: Detailed Appropriation Accounts)

In two cases, there were savings of above ₹ 20 lakh (Sl. No.1 and 15) due to excess/insufficient re-appropriation of funds. There was excess expenditure of above ₹ 10 lakh in another case (Sl. No.16) due to excess re-appropriation of funds.

2.7 Errors in budgeting process

The following lapses or errors were observed in the State budget for the year 2012-13:

Incorrect heads of accounts: There were 19 heads of accounts in the budget which did not conform with the list of Major and Minor heads of Accounts. Of which, 1 case belonged to Major head, and 9 cases each belonged to Sub-Major heads and Minor heads. As the expenditures were booked in heads of Accounts not conforming to list of Major and Minor heads of Accounts, the codes reflected in the budget were incorrect. The details are given in **Appendix 2.13**.

Error in respect of heads of Grants-in-aid: In 18 cases, the scheme under which the Grants-in-aid were given had not been indicated against the Sub head of accounts. In 27 cases, the Detailed heads of accounts were not indicated. In three cases, the expenditure on Grants-in-aid had been booked under Capital expenditure, which was irregular.

2.8 Outcome of inspection of Treasuries

The following shortcomings were observed in the State Treasuries in the year 2012-13:

Booking under Suspense Head: In 11 Treasuries and 1 sub-Treasury, an amount of ₹ 2.31 crore had been booked under Suspense head due to non-submission of vouchers in support of payments during 2012-13.

Excess payment of pension/gratuity: In two treasuries¹³ and two sub-treasuries¹⁴, there was excess payment of ₹ 74,276 on account of pension/gratuity during 2011-13. Action taken to address these excess payments has not been intimated (January 2014).

2.9 Conclusion and Recommendations

During 2012-13, an expenditure of ₹ 7528.32 crore was incurred against a total budget provision of ₹ 9014.79 crore, resulting in overall saving of ₹ 1486.47 crore. The overall savings was the net result of saving of ₹ 2027.89 crore offset by excess of ₹ 541.42 crore. The excess requires regularization under Article 205 of the Constitution of India. Excess expenditure for the period 2007-08 to 2009-10 had been regularised on the recommendation of the Public Accounts Committee (PAC). However, the excess expenditure (₹ 151.80 crore) for the period 2010-11 to 2011-12 were yet to be discussed by the PAC (Paras 2.2 and 2.3). Despite a foreknown liability of ₹ 493.26 crore as overdraft in the previous year 2011-12, insufficient budgetary provision was made, leading to an excess expenditure of ₹ 522.85 crore over budgetary provision under Appropriation No. 2 – Interest Payment and Debt Services (Capital Charged) (Para 2.3.7).

Supplementary provision aggregating to ₹ 208.49 crore in 22 cases, during the year proved unnecessary as the expenditure did not come up to the level of original provision while in three cases, supplementary provision of ₹ 7.43 crore proved insufficient by more than ₹ 10 lakh in each case, leaving an aggregate uncovered excess expenditure of ₹ 18.57 crore. Substantial surrenders (amount exceeding ₹ 10 crore in each case) were made in respect of 6 sub-heads, out of which in three schemes/programmes, the whole provision amounting to ₹ 720.23 crore was surrendered. There was one case in which an amount of ₹ 2.94 crore was surrendered despite having excess of expenditure over total provision (Para 2.3).

¹³ Imphal West Treasury and Ukhrul Treasury

¹⁴ Kakching sub-treasury and Moreh sub-treasury

Out of ₹ 2617.76 crore paid through Abstract Contingent (AC) bills during 2003-13, Detailed Countersigned Contingent bills for ₹ 945.40 crore were outstanding as on October 2013 (Para 2.4).

Excess expenditure needs to be regularised as laid down under the Constitution. Non-provision of adequate budgetary provision despite overdraft in the previous year (2011-12) and thus leading to excess expenditure of ₹ 541.42 crore is indicative of lack of proper budgetary exercise and planning. 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 close 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.